

# **PART 250--LIQUORS AND ARTICLES FROM PUERTO RICO AND THE VIRGIN ISLANDS**

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## **Subpart A--Scope of Regulations**

### **§250.1 Alcoholic products coming into the United States from Puerto Rico and the Virgin Islands.**

This part, "Liquors and Articles from Puerto Rico and the Virgin Islands," relates to:

- (a) The production, bonded warehousing, and withdrawal of distilled spirits and denatured spirits, and the manufacture of articles in Puerto Rico and the Virgin Islands to be brought into the United States free of tax;
- (b) The collection of internal revenue taxes on taxable alcoholic products coming into the United States from Puerto Rico and the Virgin Islands;
- (c) The transfer, without payment of tax, of Puerto Rican and Virgin Islands spirits in bulk containers or by pipeline from customs custody to the bonded premises of a distilled spirits plant qualified under part 19 of this chapter;
- (d) The deposit of the distilled spirits excise taxes, limited to the lesser of \$10.50 or the rate in section 5001(a)(1) per proof gallon, into the Treasuries of Puerto Rico and the Virgin Islands on all articles containing distilled spirits as defined in section 7652, produced by those two U.S. possessions, and transported into the United States (less certain amounts); and
- (e) The deposit of the distilled spirits excise taxes, limited to the lesser of \$10.50 or the rate in section 5001(a)(1) per proof gallon, into the Treasuries of Puerto Rico and the Virgin Islands on all rum imported into the United States (including rum from possessions other than Puerto Rico and the Virgin Islands), less certain amounts.

(Approved by the Office of Management and Budget under control number 1512-0277)

(Sec. 221, Pub. L. 98-67, 97 Stat. 369 (26 U.S.C. 7652))



[T.D. ATF-175, 49 FR 20803, May 16, 1984, as amended by T.D. ATF-203, 50 FR 15887, Apr. 23, 1985]

## **§250.2 Forms prescribed.**

(a) The Director is authorized to prescribe all forms required by this part, including applications, reports, returns, and records. All of the information called for in each form shall be furnished as indicated by the headings on the form and the instructions on or pertaining to the form. In addition, information called for in each form shall be furnished as required by this part.

(b) Requests for forms should be mailed to the ATF Distribution Center, 7943 Angus Court, Springfield, Virginia 22153.

(5 U.S.C. 552(a) (80 Stat. 383, as amended))

[T.D. ATF-92, 46 FR 46920, Sept. 23, 1981, as amended by T.D. ATF-249, 52 FR 5963, Feb. 27, 1987; T.D. ATF-372, 41 FR 20725, May 8, 1996]

## **Subpart B--Definitions**

### **§250.11 Meaning of terms.**

When used in this part and in forms prescribed under this part, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof, terms shall have the meaning ascribed in this section. Words in the plural form shall include the singular and vice versa, and words importing the masculine gender shall include the feminine. The terms "includes" and "including" do not exclude things not enumerated which are in the same general class.

*Article.* Any preparation unfit for beverage use, made with or containing:

- (1) Wine or beer;
- (2) Distilled spirits or industrial spirits; or
- (3) Denatured spirits when such preparation is not manufactured under the provisions of this chapter.

*ATF officer.* An officer or employee of the Bureau of Alcohol, Tobacco and Firearms (ATF) authorized to perform any function relating to the administration or enforcement of this part.

*Bank.* Any commercial bank.

*Banking day.* Any day during which a bank is open to the public for carrying on substantially all its banking functions.

*Beer.* Beer, ale, porter, stout, and other similar fermented beverages (including sake or similar products) of any name or description containing one-half of 1 percent or more of alcohol by volume, brewed, or produced from malt, wholly or in part, or from any substitute therefor.

*Bottler.* Any person required to hold a basic permit as a bottler under 27 U.S.C. 203(b)(1).

*Bulk container.* Any container having a capacity of more than 1 gallon.

*Bulk distilled spirits.* The term "bulk distilled spirits" means distilled spirits in a container having a capacity in excess of 1 gallon.

*Bureau of Alcoholic Beverage Taxes.* Bureau of Alcoholic Beverage Taxes of the Commonwealth of Puerto Rico.

*Business day.* Any day, other than a Saturday, Sunday, or a legal holiday. (The term legal holiday includes all holidays in the District of Columbia and all legal holidays in the Commonwealth of Puerto Rico.)

*Chief, Puerto Rico Operations.* The primary representative in Puerto Rico of the Bureau of Alcohol, Tobacco and Firearms. His complete address is: Chief, Puerto Rico Operations, Bureau of Alcohol, Tobacco and Firearms, U.S. Courthouse and Federal Building, Room 659, Avenida Carlos Chardon, Hato Rey, Puerto Rico 00919.

*Commercial bank.* A bank, whether or not a member of the Federal Reserve System, which has access to the Federal Reserve Communications System (FRCS) or Fedwire. The "FRCS" or "Fedwire" is a communications network that allows Federal Reserve System member banks to effect a transfer of funds for their customers (or other commercial banks) to the Treasury Account at the Federal Reserve Bank of New York.

*Customs officer.* Any officer of the Customs Service or any commissioned, warrant, or petty officer of the Coast Guard, or any agent or other person authorized by law or designated by the Secretary of the Treasury to perform any duties of an officer of the Customs Service.

*Denatured spirits.* Industrial spirits denatured in accordance with approved formulas in distilled spirits plants established and operated under the provisions of this chapter relating to the establishment and operation of plants qualified to denature spirits in the United States or, in respect of a product of the Virgin Islands, shall also mean spirits denatured in accordance with approved formulas in plants established under the provisions of the Virgin Islands regulations and shall include, unless otherwise limited, both completely and specially denatured spirits.

*Director.* The Director, Bureau of Alcohol, Tobacco and Firearms, the Department of the Treasury, Washington, D.C.

*Director of the service center.* A director of an internal revenue service center.

*Distilled spirits or spirits.* That substance known as ethyl alcohol, ethanol, or spirits of wine, in any form (including all dilutions and mixtures thereof, from whatever source or by whatever process produced), but shall not include industrial spirits as defined in this part except when used in reference to such spirits which would be subject to tax if brought into the United States.

*District director.* A district director of internal revenue.

*District director of customs.* The district director of customs at a headquarters port of the district (except the district of New York, N.Y.); the area directors of customs in the district of New York, N.Y.; and the port director at a port not designated as a headquarters port.

*Effective tax rate.* The net tax rate after reduction for any credit allowable under 26 U.S.C. 5010 for wine and flavor content at which the tax imposed on distilled spirits by 26 U.S.C. 7652 is paid or determined.

*Electronic fund transfer or EFT.* Any transfer of funds effected by a proprietor's commercial bank, either directly or through a correspondent banking relationship, via the Federal Reserve Communications System (FRCS) or Fedwire to the Treasury Account at the Federal Reserve Bank of New York.

*Eligible article.* Any medicine, medicinal preparation, food product, flavor, flavoring extract For perfume which contains distilled spirits, is unfit for beverage purposes, and has been or will be brought into the United States from Puerto Rico or the Virgin Islands under the provisions of 26 U.S.C. 7652(g).

*Eligible flavor.* A flavor which:

- (1) Is of a type that is eligible for drawback of tax under 26 U.S.C. 5134,
- (2) Was not manufactured on the premises of a distilled spirits plant, and
- (3) Was not subjected to distillation on distilled spirits plant premises such that the flavor does not remain in the finished product.

*Eligible wine.* Wine on which tax would be imposed by paragraph (1), (2), or (3) of 26 U.S.C. 5041(b) but for its removal to distilled spirits plant premises and which has not been subject to distillation at a distilled spirits plant after receipt in bond.

*Executed under penalties of perjury.* Signed with the prescribed declaration under the penalties of perjury as provided on or with respect to the return, claim, form, or other document, or where no form of declaration is prescribed, with the declaration: "I declare under the penalties of perjury that this ----- (insert type of document, such as statement, report, certificate, application, claim, or other document), including the documents submitted in support thereof, has been examined by me and, to the best of my knowledge and belief, is true, correct, and complete."

*Fiscal year.* The period which begins October 1 and ends on the following September 30.

*Gallon or wine gallon.* The liquid measure equivalent to the volume of 231 cubic inches.

*Importer.* Any person who imports distilled spirits, wines, or beer into the United States.

*Industrial spirits.* As to products of Puerto Rico, distilled spirits produced and warehoused at and withdrawn from distilled spirits plants established and operated under the provisions of this chapter relating to the establishment of such plants and the production, bonded warehousing, and withdrawal from bond of distilled spirits in the United States, or as to products of the Virgin Islands, distilled spirits produced, warehoused, and withdrawn under Virgin Islands regulations.

*Kind.* As applied to spirits, kind shall mean class and type as prescribed in 27 CFR part 5. As applied to wines, kind shall mean the classes and types of wines as prescribed in 27 CFR part 4.

*Liquor bottle.* A bottle made of glass or earthenware, or of other suitable material

approved by the Food and Drug Administration, which has been designed or is intended for use as a container for distilled spirits for sale for beverage purposes and which has been determined by the Director to adequately protect the revenue.

*Liquors.* Industrial spirits, distilled spirits, liqueurs, cordials and similar compounds, wines, and beer or any alcoholic preparation fit for beverage use.

*Permit.* A formal written authorization of the Secretary of the Treasury of Puerto Rico.

*Person.* An individual, a trust, an estate, a partnership, an association, a company, or a corporation.

*Proof gallon.* A gallon of liquid at 60 degrees Fahrenheit which contains 50 percent by volume of ethyl alcohol having a specific gravity of 0.7939 at 60 degrees Fahrenheit referred to water at 60 degrees Fahrenheit as unity or the alcoholic equivalent thereof.

*Rectifier.* Any person required to hold a rectifier's basic permit under 27 U.S.C. 203(b)(1).

*Region.* A Bureau of Alcohol, Tobacco and Firearms Region.

*Regional director (compliance).* The principal ATF regional official responsible for administering regulations in this part.

*Revenue Agent.* Any duly authorized Commonwealth Internal Revenue Agent of the Department of the Treasury of Puerto Rico.

*Secretary.* The Secretary of the Treasury of Puerto Rico.

*Secretary or his delegate.* The Secretary or any officer or employee of the Department of the Treasury of Puerto Rico duly authorized by the Secretary to perform the function mentioned or described in this part.

*Taxpaid.* As used in this part with respect to liquors or articles of Puerto Rican manufacture, includes liquors or articles on which the tax was computed but with respect to which payment was deferred under the provisions of subpart E of this part.

*Treasury Account.* The Department of the Treasury's General Account at the Federal Reserve Bank of New York.

*United States.* The States and the District of Columbia.

*U.S.C.* The United States Code.

*United States Bureau of Alcohol, Tobacco and Firearms office.* The Bureau of Alcohol, Tobacco and Firearms office in Puerto Rico operating under the direction of the Regional Director (Compliance), North Atlantic Region, New York, NY 10048.

*Virgin Islands regulations.* Regulations issued or adopted by the Governor of the Virgin Islands, or his duly authorized agents, with the concurrence of the Secretary of the Treasury of the United States, or his delegate, under the provisions of 26 U.S.C. 5314, as amended, and §250.201a.

*Wine.* Still wine, vermouth, or other aperitif wine, imitation, substandard, or artificial wine,

compounds designated as wine, flavored, rectified, or sweetened wine, champagne or sparkling wine, and artificially carbonated wine, containing not over 24 percent of alcohol by volume. Wines containing more than 24 percent of alcohol by volume are classed and taxed as distilled spirits.

(68A Stat. 917, as amended (26 U.S.C. 7805); 49 Stat. 981, as amended (27 U.S.C. 205) Aug. 16, 1954, ch. 736, 68A Stat. 775 (26 U.S.C. 6301); June 29, 1956, ch. 462, 70 Stat. 391 (26 U.S.C. 6301))

[T.D. ATF-48, 43 FR 13551, Mar. 31, 1978; T.D. ATF-398; 63 FR 44784, Aug. 21, 1998]

## **Subpart Ca--Rum Imported Into the United States From Areas Other Than Puerto Rico and the Virgin Islands**

### **§250.30 Excise taxes.**

Distilled spirits excise taxes, less the estimated amounts necessary for payment of refunds and drawbacks, collected on all rum imported into the United States (including rum from possessions other than Puerto Rico and the Virgin Islands), will be deposited into the Treasuries of Puerto Rico and the Virgin Islands according to the formula described in §250.31. The amount deposited into the Treasuries of Puerto Rico and the Virgin Islands shall be the lesser of \$10.50, or the rate imposed by 26 U.S.C. 5001(a)(1) (including adjustments to the effective tax rate under 26 U.S.C. 5010), on each proof gallon of rum imported into the United States.

(Aug. 16, 1954, Chapter 736, 68A Stat. 907, as amended (26 U.S.C. 7652))

[T.D. ATF-203, 50 FR 15888, Apr. 23, 1985]

### **§250.31 Formula.**

(a) The amount of excise taxes collected on rum that is imported into the United States from areas other than Puerto Rico and the Virgin Islands shall be deposited into the Treasuries of Puerto Rico and the Virgin Islands at the rate prescribed in 26 U.S.C. 7652(f). The distribution of such amount between Puerto Rico and the Virgin Islands shall be computed by using a permanent base percentage, which represents the excise taxes collected on rum brought into the United States from Puerto Rico and the Virgin Islands during fiscal year 1983. This base percentage is 87.626889 percent for Puerto Rico and 12.373111 percent for the Virgin Islands. The formula shall be as follows:

(1) Multiply the total excise taxes collected on rum brought into the United States (including rum from Puerto Rico and the Virgin Islands) during the previous fiscal year (October 1-September 30) by the base percentages to determine the relative shares of the entire U.S. rum market that will be allotted to Puerto Rico and the Virgin Islands;

(2) Subtract each of these shares from the excise taxes collected on rum transported to the United States from Puerto Rico and the Virgin Islands, respectively, during the previous fiscal year to determine each possession's loss or gain in relation to the previous fiscal year's U.S. rum market. Divide these results by the excise taxes collected on rum imported during the previous fiscal year from areas other than Puerto Rico and the Virgin Islands.

(b) Notwithstanding the formula prescribed in paragraph (a) above, the Virgin Islands' share of the excise taxes on rum imported into the United States from areas other than Puerto Rico and the Virgin Islands shall not exceed 49 percent nor drop below 12.373111 percent. Puerto Rico's share of the excise taxes on rum imported into the United States from areas other than Puerto Rico and the Virgin Islands shall not exceed 87.626889 percent nor drop below 51 percent.

(c) The percentage for the distribution of the excise taxes collected on rum imported into the United States from areas other than Puerto Rico and the Virgin Islands, that will be paid over to the Treasuries of Puerto Rico and the Virgin Islands, shall be effective on March 1 of each year, and shall remain in effect until March 1 of the following year.

(d) The method for transferring the excise tax collections on rum imported from areas other than Puerto Rico and the Virgin Islands, into the Treasuries of Puerto Rico and the Virgin Islands shall be the same as the method used for transferring excise taxes into the Treasury of Puerto Rico on distilled spirits (with an alcohol content of at least 92 percent rum) brought into the United States from Puerto Rico.

(e) The formula prescribed in this section shall take effect on March 1, 1987. Prior to that date, Puerto Rico shall continue to receive 86.4 percent of the eligible excise taxes on rum imported from areas other than Puerto Rico and the Virgin Islands. The Virgin Islands shall continue to receive 13.6 percent of these eligible excise taxes until March 1, 1987.

(Aug. 16, 1954, Chapter 736, 68A Stat. 907, as amended (26 U.S.C. 7652))

[T.D. ATF-233, 51 FR 28078, Aug. 5, 1986; 52 FR 2222, Jan. 21, 1987]

## **Subpart Cb--Products Coming Into the United States From Puerto Rico**

### **§250.35 Taxable status.**

(a) Liquors coming into the United States from Puerto Rico, except as provided in §250.36, are subject to a tax equal to the internal revenue tax imposed on the production in the United States of like liquors. Articles coming into the United States from Puerto Rico, except as provided in §250.36, are subject to tax on the liquors contained therein at the rates imposed in the United States on like liquors of domestic production.

(b) The excise taxes collected on distilled spirits or articles containing distilled spirits shall be deposited into the Treasury of Puerto Rico only if at least 92 percent of the alcoholic content of such products is rum. The amount deposited into the Treasury of Puerto Rico shall not exceed the lesser of \$10.50, or the rate imposed by 26 U.S.C. 5001(a)(1) (including adjustments to the effective tax rate under 26 U.S.C. 5010), on each proof gallon of such distilled spirits or articles, other than eligible articles, containing distilled spirits coming into the United States or consumed on the island. Such excise tax deposits will be reduced by the estimated amount necessary for payment of refunds and drawbacks.

(c) Except for products described in 26 U.S.C. 7652(c), no excise taxes shall be deposited into the Treasury of Puerto Rico if an excise tax subsidy is provided by



Puerto Rico that is of a kind different from, or in an amount per value or volume of production greater than, any subsidy offered by Puerto Rico to industries manufacturing products not subject to Federal excise tax.

(Sec. 2682, Pub. L. 98-369, 98 Stat. 494 (26 U.S.C. 7652))

[T.D. ATF-175, 49 FR 20804, May 16, 1984, as amended by T.D. ATF-203, 50 FR 15888, Apr. 23, 1985; T.D. ATF-263, 52 FR 46593, Dec. 9, 1987]

### **§250.36 Products exempt from tax.**

#### **(a) *General.***

Industrial spirits, denatured spirits, and products made with denatured spirits in Puerto Rico may be brought into the United States without incurring tax liability imposed by 26 U.S.C. 5001 or 7652.

#### **(b) *Industrial spirits.***

A distiller of industrial spirits who registers, files a bond, and pays special (occupational) tax as a distilled spirits plant in accordance with part 19 of this chapter may ship industrial spirits to a tax-free alcohol user in the United States who holds a permit and has paid special (occupational) tax under part 22 of this chapter. These shipments shall be made in accordance with the requirements of parts 19 and 22 of this chapter.

#### **(c) *Denatured spirits.***

A distiller who registers, files a bond, and pays special (occupational) tax as a distilled spirits plant in accordance with part 19 of this chapter and who denatures spirits in accordance with parts 19 and 21 of this chapter may ship (1) completely denatured alcohol to anyone in the United States, and/or (2) specially denatured spirits to a dealer or user of specially denatured spirits in the United States or Puerto Rico who holds a permit and has paid special (occupational) tax under part 20 of this chapter. These shipments shall be made in accordance with the requirements of parts 19 and 20 of this chapter, and subpart 1a of this part.

#### **(d) *Products made with denatured spirits.***

(1) A person in Puerto Rico who manufactures products with completely denatured alcohol in accordance with the requirements of part 20 of this chapter may ship those products to the United States in accordance with the requirements of part 20 of this chapter, and Subpart 1a of this part.

(2) A person in Puerto Rico who manufactures products with specially denatured spirits may ship those products to the United States if that person (i) obtains a permit to use specially denatured spirits, and pays special (occupational) tax, under part 20 of this chapter, and (ii) complies with the requirements of part 20 of this chapter and Subpart 1a of this part relating to the manufacture and shipment of those products.

[T.D. ATF-199, 50 FR 9198, Mar. 6, 1985; T.D. ATF-199, 50 FR 20099, May, 14, 1985, as amended by T.D. ATF-271, 53 FR 17559, May 17, 1988]

### **§§250.36a—250.36b [Reserved]**

### **§250.36c Shipments of bulk distilled spirits to the United States without payment of tax.**

Bulk distilled spirits may be brought into the United States from Puerto Rico without payment of tax for transfer from customs custody to the bonded premises of a distilled spirits plant qualified under part 19 of this chapter. Such shipments are subject to the provisions of subpart Ib.

[T.D. ATF-62, 44 FR 71709, Dec. 11, 1979]

### **§250.37 United States Bureau of Alcohol, Tobacco and Firearms office.**

The United States Bureau of Alcohol, Tobacco and Firearms office is authorized to collect internal revenue taxes on liquors and articles subject to tax, which are to be shipped to the United States. Whenever the internal revenue tax is paid in Puerto Rico, other than by tourists in accordance with subpart F of this part, the tax shall be paid to the United States Bureau of Alcohol, Tobacco and Firearms office as defined in this part and as provided in subpart E of this part.

[T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.38 Containers of distilled spirits.**

Containers of distilled spirits brought into the United States from Puerto Rico, having a capacity of not more than 1 gallon (3.785 liters), shall conform to the requirements of subpart P of this part.

[T.D. ATF-34, 41 FR 46863, Oct. 26, 1976]

### **§250.39 Labels.**

All labels affixed to bottles of liquors coming into the United States shall conform to the requirements of the Federal Alcohol Administration Act and implementing regulations (parts 4, 5, and 7 of this chapter).

[T.D. ATF-48, 44 FR 55851, Sept. 28, 1979]

### **§250.40 Marking containers of distilled spirits.**

The distiller, rectifier, or bottler shall serially number each case, barrel, cask, or similar container of distilled spirits filled for shipment to the United States. In addition to the serial number of the container, the distiller, rectifier, or bottler shall plainly print, stamp, or stencil with durable coloring material, in letters and figures not less than one-half inch high, on the head of each barrel, cask or similar container or on one side of each case, as follows:

- (a) The name of the distiller, rectifier, or bottler.
- (b) The brand name and kind of liquor;
- (c) The wine and proof gallon contents; or, for bottles filled according to the metric standards of fill prescribed by §5.47a, of this chapter, the contents in liters and the proof of the spirits; and
- (d) In the case of barrels or casks, the serial number of the permit to ship, Form 487-B, prefixed by the number of such form (e.g., "487-B-61-1")



(e) In the case of bulk containers shipped to the United States under subpart Ib, the serial number of the application and permit to ship, ATF Form 5110.31, instead of the serial number of Form 487-B.

[T.D. ATF-43, 42 FR 30836, June 17, 1977; as amended by T.D. ATF-62, 44 FR 71709, Dec. 11, 1979]

#### **§250.41 Destruction of marks and brands.**

The marks, brands, and serial numbers required by this part to be placed on barrels, casks, or similar containers, or cases, shall not be removed or obscured or obliterated before the contents thereof have been removed.

(Sec. 201, Pub. L. 85-859, 1358, as amended, 26 U.S.C. 5205)

[T.D. ATF-198, 50 FR 8548, Mar. 1, 1985]

#### **§250.43 Samples.**

The Director may require samples of liquors and articles to be submitted whenever desired for laboratory analysis in order to determine the rates of tax applicable thereto.

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2250, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **SPECIAL (OCCUPATIONAL) TAXES**

#### **§250.44 Liquor dealer's special taxes.**

Every person bringing liquors into the United States from Puerto Rico, who sells, or offers for sale, such liquors shall file Form 5630.5 with ATF in accordance with the instructions of the form, and pay special (occupational) tax as a wholesale dealer in liquor or as a retail dealer in liquor in accordance with the law and regulations governing the payment of such special taxes (part 194 of this chapter).

(Sec. 201, Pub. L. 85-859, 72 Stat. 1340 as amended, 1343 as amended, 1344 as amended (26 U.S.C. 5111, 5112, 5121, 5122))

[T.D. ATF-70, 45 FR 33980, May 21, 1980, as amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

#### **§250.45 Warehouse receipts covering distilled spirits.**

Since the sale of warehouse receipts for distilled spirits is equivalent to the sale of distilled spirits, every person bringing distilled spirits into the United States from Puerto Rico, who sells, or offers for sale, warehouse receipts for distilled spirits stored in warehouses, or elsewhere, incurs liability to special tax as a dealer in liquors at the place where such warehouse receipts are sold, or offered for sale, and must file return and pay occupational tax as provided in §250.44.

(68A Stat. 618, 620, 621; 26 U.S.C. 5111, 5112, 5121, 5122)

#### **§250.46 Distilled spirits plant proprietor's special (occupational) tax.**

Every proprietor of a distilled spirits plant producing industrial spirits, denatured spirits, or products made with denatured spirits, for shipment to the United States, shall file Form 5630.5 with ATF in accordance with instructions on the form and pay special (occupational) tax as a distilled spirits plant proprietor in accordance with part 19 of this chapter.

(26 U.S.C. 5081, 5314)

[T.D. ATF-271, 53 FR 17559, May 17, 1988]

### **§250.47 Specially denatured spirits user's and dealer's special (occupational) taxes.**

Every user of specially denatured spirits who manufactures products made with such spirits for shipment to the United States, and every dealer in specially denatured spirits who ships such spirits to the United States, who is required by §250.36 to obtain a permit under part 20 of this chapter, shall file Form 5630.5 with ATF in accordance with instructions on the form and pay special (occupational) tax as a user or dealer in specially denatured spirits under part 20 of this chapter.

(26 U.S.C. 5271, 5276, 5314)

[T.D. ATF-271, 53 FR 17559, May 17, 1988]

## **Subpart D--Formulas for Products From Puerto Rico**

SOURCE: 44 FR 71709, Dec. 11, 1979, unless otherwise noted.

### **§250.50 Formulas for liquors.**

#### **(a) *Distilled spirits products.***

Except for products which are exempt from tax, as specified in §250.36, formulas are required by part 5 of this chapter for distilled spirits products shipped to the United States from Puerto Rico. If a formula is submitted to cover only the production of spirits which are to be transferred to the bonded premises of a DSP under 26 U.S.C. 5232, the formula shall include a statement to that effect. If any product contains liquors made outside of Puerto Rico, the country of origin for each such liquor shall be stated on the formula. These formulas shall be submitted on ATF Form 5110.38, in accordance with §250.54.

#### **(b) *Wine.***

Persons in Puerto Rico who ship wine to the United States shall comply with the formula requirements of 27 CFR part 240. If any wine contains liquors made outside of Puerto Rico, the country of origin for each such liquor shall be stated on the formula. All formulas required by this paragraph shall be submitted on ATF Form 698 Supplemental, in accordance with §250.54.

(Approved by the Office of Management and Budget under control number 1512-0204)

[T.D. ATF-198, 50 FR 8549, Mar. 1, 1985]

### **§250.50a Verification of eligible flavors.**

(a) Any person who, after December 1, 1990, ships to the United States any distilled spirits on which the tax has been or is to be paid or determined at an effective tax rate based in part on the alcohol content derived from any eligible flavor not previously approved on ATF Form 5530.5 (1678) or 5150.19 shall, before the first tax determination at that rate, request and receive a statement of eligibility for each flavor to be used in the computation of the effective tax rate.

(b) To receive a statement of eligibility, the person shipping the distilled spirits shall submit to the ATF National Laboratory, 1401 Research Boulevard, Rockville, MD 20850, the following:

- (1) An 8-ounce sample; and
- (2) A statement of composition listing the--
  - (i) Name and percentage of alcohol by volume of the flavor; and
  - (ii) Name and quantity of each ingredient used in the manufacture of the flavor.

(Approved by Office of Management and Budget under control number 1512-0203)

(Act of August 16, 1954, Pub. L. 591, 68A Stat. 907, as amended (26 U.S.C. 7652); Sec. 201, Pub. L. 85-859, 72 Stat. 1314, as amended (26 U.S.C. 5001); Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18066, Apr. 30, 1990]

### **§250.51 Formulas for articles, eligible articles and products manufactured with denatured spirits.**

#### *(a) Formulas for articles and eligible articles.*

Formulas for articles made with distilled spirits must show the quantity and proof of the distilled spirits used, and the percentage of alcohol by volume contained in the finished product. Formulas for articles made with beer or wine must show the kind and quantity thereof (liquid measure), and the percent of alcohol by volume of such beer or wine. Formulas and samples for eligible articles are required in accordance with subpart F of part 17 of this chapter.

#### *(b) Formulas for products manufactured with denatured spirits.*

Products manufactured with denatured spirits shall be manufactured in accordance with the formula requirements of part 20 of this chapter for similar products made in the United States.

- (1) Products may be made with completely denatured alcohol for sale under brand names under part 20 of this chapter without obtaining an approved formula. If ingredients are added in sufficient quantities to materially change the composition and character of the completely denatured alcohol, the product is not classified as completely denatured alcohol and may not be marked, branded, or sold as completely denatured alcohol.
- (2) Products made with specially denatured spirits shall be made in accordance with (i) a general-use formula approved as provided in part 20 of this chapter, or (ii) an approved formula on Form 5150.19, or previously approved on ATF Form 1479-A or 27-B Supplemental.

#### *(c) Formulas required.*

Formulas required by this section shall be submitted on Form 5150.19, except that formulas for eligible articles shall be submitted on Form 5154.1 (formerly 1678). Formulas shall be submitted in accordance with §250.54. Any formula for an eligible

article approved on Form 5150.19 prior to October 23, 1986 shall continue to be valid until revoked or voluntarily surrendered. Any person holding such a formula is not required to submit a new formula.

(Approved by the Office of Management and Budget under control number 1512-0494)

[44 FR 71709, Dec. 11, 1979, as amended by T.D. ATF-199, 50 FR 9198, Mar. 6, 1985; T.D. ATF-263, 52 FR 46593, Dec. 9, 1987; T.D. ATF-379, 61 FR 31427, June 20, 1996]

### **§250.52 Still wines containing carbon dioxide.**

#### **(a) *General.***

Still wines may contain not more than 0.392 gram of carbon dioxide per 100 milliliters of wine; except that a tolerance to this maximum limitation, not to exceed 0.009 gram of carbon dioxide per 100 milliliters of wine, will be allowed where the amount of carbon dioxide in excess of 0.392 gram per 100 milliliters of wine was due to mechanical variations which could not be completely controlled under good commercial practices. Such tolerance will not be allowed where it is found that the limitation of 0.392 gram of carbon dioxide per 100 milliliters of wine is continuously or intentionally exceeded, or where the variation results from the use of methods or equipment not in accord with good commercial practices.

#### **(b) *Notice required.***

Proprietors intending to add carbon dioxide to, or retain carbon dioxide in, still wines to be shipped to the United States shall submit a notice to the Chief, Puerto Rican Operations. The notice shall show the name and address of the proprietor and shall identify the method or process, the kinds (class and type) of wine, and the type of equipment to be used. A corrected notice shall be filed if there is any change (except for minor changes) in the information contained in the notice.

#### **(c) *Filing and disposition of notice.***

The notice required by paragraph (b) of this section shall be submitted in quadruplicate to the Chief, Puerto Rican Operations, who shall retain one copy, forward one copy to the Secretary, and one copy to the revenue agent at the proprietor's premises, and return one copy to the proprietor. The proprietor shall keep the notice available for examination by revenue agents.

(Approved by the Office of Management and Budget under control number 1512-0352)

(Sec. 201, Pub. L. 85-859, 72 Stat. 1331, as amended (26 U.S.C 5041))

[20 FR 6077, Aug. 20, 1955. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-172, 49 FR 14943, Apr. 16, 1984; T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.53 Changes of formulas.**

Any change in the ingredients composing a product covered by an approved formula will necessitate the submission of a new formula.

### **§250.54 Filing and disposition of formulas.**

Prior to shipment, formulas required by this subpart shall be submitted in quadruplicate to and approved by the Director. The Director shall retain one copy, forward one copy to

the Secretary, and one copy to the revenue agent at the premises of the applicant, and return one copy to the applicant. The applicant shall maintain copies of approved formulas available for examination by revenue agents.

[44 FR 71709, Dec. 11, 1979, as amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.55 Previously approved formulas.**

Any formula approved on Form 27-B Supplemental prior to January 1, 1980, shall continue to be valid until revoked or voluntarily surrendered. Any person holding such a formula is not required to submit a new formula. If an approved formula on Form 27-B Supplemental indicates that carbon dioxide will be added to, or retained in, still wine, the notice requirement of §250.52 shall not apply.

## **Subpart E--Taxpayment of Liquors and Articles in Puerto Rico**

SOURCE: T.D. 6551, 26 FR 1490, Feb. 22, 1961, unless otherwise noted. Redesignated at 40 FR 16835, Apr. 15, 1975.

### **BONDS**

#### **§250.61 General.**

Every person filing a bond under this subpart, or consent of surety on such bond, shall file it with the regional director (compliance). Any bond or consent of surety approved prior to July 1, 1987, by the Officer-in-Charge, United States Internal Revenue Service shall continue to be valid until terminated as provided in this subpart.

[T.D. ATF-251, 52 FR 19338, May 22, 1987]

#### **§250.62 Corporate surety.**

(a) Surety bonds may be given only with corporate sureties holding certificates of authority from, and subject to the limitations prescribed by, the Secretary of the Treasury, as set forth in the current revision of U.S. Treasury Department Circular No. 570 (Companies Holding Certificates of Authority as Acceptable Sureties on Federal Bonds and as Acceptable Reinsuring Companies).

(b) Treasury Department Circular No. 570 is published in the FEDERAL REGISTER annually as of the first workday in July. As they occur, interim revisions of the circular are published in the FEDERAL REGISTER. Copies of the circular may be obtained from the Audit Staff, Bureau of Government Financial Operations, Department of the Treasury, Washington, DC 20226.

(July 30, 1947, ch. 390, 61 Stat. 648, as amended (6 U.S.C. 6, 7))

[T.D. ATF-92, 46 FR 46921, Sept. 23, 1981]

#### **§250.62a Filing of powers of attorney.**

Each bond, and each consent to changes in the terms of a bond, shall be accompanied by a power of attorney authorizing the agent or officer who executed the bond or consent to so act on behalf of the surety. The regional director (compliance) who is authorized to approve the bond may, when he deems it necessary, require additional evidence of the

authority of the agent or officer to execute the bond or consent.

(61 Stat. 648; 6 U.S.C. 6, 7)

[T.D. ATF-2, 37 FR 22736, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975, as amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

#### **§250.62b Execution of powers of attorney.**

The power of attorney shall be prepared on a form provided by the surety company and executed under the corporate seal of the company. If the power of attorney submitted is other than a manually signed original, it shall be accompanied by certification of its validity.

(61 Stat. 648; 6 U.S.C. 6, 7)

[T.D. ATF-2, 37 FR 22736, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975]

#### **§250.63 Deposit of securities in lieu of corporate surety.**

In lieu of corporate surety, the principal may pledge and deposit, as surety for his bond, securities which are transferable and are guaranteed as to both interest and principal by the United States, in accordance with the provisions of 31 CFR part 225--Acceptance of Bonds, Notes or Other Obligations Issued or Guaranteed by the United States as Security in Lieu of Surety or Sureties on Penal Bonds.

(5 U.S.C. 552(a) (80 Stat. 383, as amended); 61 Stat. 650; 6 U.S.C. 15)

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-92, 46 FR 46921, Sept. 23, 1981]

#### **§250.64 Consents of surety.**

Consents of surety to changes in the terms of bonds shall be executed on Form 1533 by the principal and by the surety with the same formality and proof of authority as is required for the execution of bonds.

#### **§250.65 Authority to approve bonds and consents of surety.**

The regional director (compliance) is authorized to approve all bonds and consents of surety filed under this part.

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

#### **§250.66 Bond, ATF Form 5110.50--Distilled spirits.**

(a) *General.* If any person intends to ship to the United States, distilled spirits products of Puerto Rican manufacture from bonded storage in Puerto Rico on computation, but before payment, of the tax imposed by 26 U.S.C. 7652(a), equal to the tax imposed in the United States by 26 U.S.C. 5001(a)(1), he shall, before making any such shipment, furnish a bond ATF Form 5110.50, for each premises from which shipment will be made, to secure payment of such tax, at the time and in the manner prescribed in this subpart, on all distilled spirits products shipped. The bond shall be executed in a penal sum not less than the amount of unpaid tax which, at any one time, is chargeable against the bond. The penal sum of such bond shall not exceed \$1,000,000, but in no case shall the penal sum be less than \$1,000.



(b) *Blanket bond*. Any person who is the proprietor of more than one premises in Puerto Rico from which shipment of spirits to the United States will be made, may, in lieu of furnishing two or more separate bonds on ATF Form 5110.50 as required by paragraph (a) of this section, furnish a blanket bond on ATF Form 5110.50. The penal sum of such blanket bond shall be equal to the sum of the penal sums of all the bonds in lieu of which it is given. Such blanket bond on ATF Form 5110.50 shall show each bonded warehouse and/or bonded processing room and/or rectifying plant to be covered by the bond, and the part of the total penal sum (computed in accordance with paragraph (a) of this section) to be allocated to each of the designated premises. If the penal sum of the bond allocated to a designated premises is in an amount less than the maximum prescribed in paragraph (a) of this section, transactions at such premises shall not exceed the quantity permissible, as reflected by the penal sum allocated in the bond to such premises. Such blanket bond shall contain the terms and conditions of the bonds in lieu of which it is given and shall be conditioned that the total amount of the bond shall be available for satisfaction of any liability incurred under the terms and conditions of such bond.

(Act of August 16, 1954, 68A Stat. 847, as amended, 907, as amended (26 U.S.C 7101, 7102, 7652))

[T.D. ATF-62, 44 FR 71710, Dec. 11, 1979]

#### **§250.67 Bond, Form 2897--Wine.**

Where a proprietor intends to withdraw, for purpose of shipment to the United States, wine of Puerto Rican manufacture from bonded storage in Puerto Rico on computation, but before payment, of the tax imposed by 26 U.S.C. 7652(a), equal to the tax imposed in the United States by 26 U.S.C. 5041, he shall, before making any such withdrawal, furnish a bond, Form 2897, to secure payment of such tax, at the time and in the manner prescribed in this subpart, on all wine so withdrawn. The bond shall be executed in a penal sum not less than the amount of unpaid tax which, at any one time, is chargeable against the bond: *Provided*, That the penal sum of such bond shall not exceed \$250,000, but in no case shall the penal sum be less than \$500.

(Aug. 16, 1954, Chapter 736, 68A Stat. 775, as amended, 847, as amended, 906, 907, as amended (26 U.S.C. 6302, 7101, 7102, 7651(2)(B), 7652(a)))

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-48, 44 FR 55852, Sept. 28, 1979]

#### **§250.68 Bond, Form 2898--Beer.**

Where a brewer intends to withdraw, for purpose of shipment to the United States, beer of Puerto Rican manufacture from bonded storage in Puerto Rico on computation, but before payment, of the tax imposed by 26 U.S.C. 7652(a), equal to the tax imposed in the United States by 26 U.S.C. 5051, he shall, before making any such withdrawal, furnish a bond, Form 2898, to secure payment of such tax, at the time and in the manner prescribed in this subpart, on all beer so withdrawn. The bond shall be executed in a penal sum not less than the amount of unpaid tax which, at any one time, is chargeable against the bond: *Provided*, That the penal sum of such bond shall not exceed \$500,000, but in no case shall the penal sum be less than \$1,000.

(Aug. 16, 1954, Chapter 736, 68A Stat. 775, as amended, 847, as amended, 906, 907, as amended (26 U.S.C. 6302, 7101, 7102, 7651(2)(B), 7652(a)))

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D.

ATF-48, 44 FR 55852, Sept. 28, 1979]

### **§250.68a Bond account.**

Every person who files a bond under this subpart shall keep an account of the charges against and credits to the bond if the penal sum of his bond is less than the maximum prescribed in §§250.66(a), 250.67, or §250.68, or if the penal sum allocated to his premises under §250.66(b) is less than the prescribed maximum. He shall charge the bond with the amount of liability he accepts at the time he executes ATF Form 5110.51 or 2900, and shall credit the bond with the amount of the tax paid at the time he files each return, ATF Form 5110.32, 2927, or 2929, and remittance. The account shall also show the balance available under the bond at any one time.

[T.D. ATF-62, 44 FR 71710, Dec. 11, 1979]

### **§250.69 Strengthening bonds.**

In all cases where the penal sum of any bond becomes insufficient, the principal shall either give a strengthening bond with the same surety to attain a sufficient penal sum, or give a new bond to cover the entire liability. Strengthening bonds will not be approved where any notation is made thereon which is intended, or which may be construed, as a release of any former bond, or as limiting the amount of any bond to less than its full penal sum. Strengthening bonds shall show the current date of execution and the effective date.

### **§250.70 New or superseding bonds.**

New bonds shall be required in case of insolvency or removal of any surety, and may, at the discretion of the regional director (compliance), be required in any other contingency affecting the validity or impairing the efficiency of an existing bond. Executors, administrators, assignees, receivers, trustees, or other persons acting in a fiduciary capacity, continuing or liquidating the business of the principal, shall execute and file a new bond or obtain the consent of the surety or sureties on the existing bond or bonds. Where, under the provisions of §250.72, the surety on any bond given under this subpart has filed an application to be relieved of liability under said bond and the principal desires or intends to continue the operations to which such bond relates, he shall file a valid superseding bond to be effective on or before the date specified in the surety's notice. New or superseding bonds shall show the current date of execution and the effective date.

[T.D. 6551, 26 FR 1590, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.70a Notice of approval of bonds.**

Upon approval of an original, a strengthening, or a superseding bond, the regional director (compliance) shall notify the Secretary, and the revenue agent at the premises, of the total penal sum of the bond or bonds, and in the case of a blanket bond, the amount of the penal sum allocated to the premises.

[T.D. 6695, 28 FR 12932, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

## **TERMINATION OF BONDS**



### **§250.71 Termination of bonds.**

Any bond given under the provisions of this subpart may be terminated as to future transactions--

- (a) Pursuant to application of surety as provided in §250.72;
- (b) On approval of a superseding bond;
- (c) On notification by the principal to the regional director (compliance) that he has discontinued transactions under the bond; or
- (d) On notification by the principal to the regional director (compliance) that he has discontinued business.

[T.D. 6695, 28 FR 12932, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.72 Application of surety for relief from bond.**

A surety on any bond given under the provisions of this subpart may at any time in writing notify the principal and the regional director (compliance) that he desires, after a date named, to be relieved of liability under said bond. Such date shall be not less than 10 days after the date the notice is received by the regional director (compliance). The surety shall also file with the regional director (compliance) an acknowledgment or other proof of service on the principal. If such notice is not thereafter in writing withdrawn, the rights of the principal as supported by said bond shall be terminated on the date named in the notice, and the surety shall be relieved from liability to the extent set forth in §250.73.

(Approved by the Office of Management and Budget under control number 1512-0352)

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-172, 49 FR 14943, Apr. 16, 1984; T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.73 Relief of surety from bond.**

Where the surety on a bond given under the provisions of this subpart has filed application for relief from liability, as provided in §250.72, the surety shall be relieved from liability for transactions occurring wholly subsequent to the date specified in the notice, or the effective date of a new bond, if one is given.

### **§250.74 Release of pledged securities.**

Securities of the United States pledged and deposited as provided in §250.63, shall be released only in accordance with the provisions of 31 CFR Part 225. Such securities will not be released by the regional director (compliance) until the liability under the bond for which they were pledged has been terminated. When the regional director (compliance) is satisfied that they may be released, he shall fix the date or dates on which a part or all of such securities may be released. At any time prior to the release of such securities, the regional director (compliance) may extend the date of release for such additional length of time as he deems necessary.

(61 Stat. 650; 6 U.S.C. 15)

[T.D. 6551, 26 FR 1590, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D.

ATF-251, 52 FR 19338, May 22, 1987]

### **§250.75 Form 1490, Notice of Termination of Bond.**

When the regional director (compliance) is satisfied that any bond given under the provisions of this subpart may be terminated, he shall issue Form 1490, Notice of Termination of Bond, and shall forward copies to the principal and to the surety. The regional director (compliance) shall, prior to the termination date, notify the Secretary and the revenue agent of the proposed termination of any bond given under this part and the date of such termination.

[T.D. 6695, 28 FR 12932, Dec. 5, 1963, as amended by T.D. ATF-2, 37 FR 22736, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

## **PERMITS REQUIRED**

### **§250.76 Insular permits.**

Before liquors or articles of Puerto Rican manufacture may be shipped to the United States, an insular permit, ATF Form 5110.51 (for distilled spirits) or Form 2900 (for wine or beer), to compute the taxes imposed by 26 U.S.C. 7652(a), and to withdraw the products from the bonded establishment where they may be deposited, must be obtained from the Secretary, and such products may not be shipped to the United States until a permit to ship, on Form 487B, is applied for and obtained from the Secretary.

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975]

## **DISTILLED SPIRITS**

### **§250.77 Subject to tax.**

(a) Distilled spirits of Puerto Rican manufacture, and any products containing such distilled spirits, brought into the United States and withdrawn for consumption or sale are subject to a tax equal to the tax imposed in the United States by 26 U.S.C. 5001.

(b) A credit against the tax imposed on distilled spirits by 26 U.S.C. 7652 is allowable under 26 U.S.C. 5010 on each proof gallon of alcohol derived from eligible wine or from eligible flavors which do not exceed 2½ percent of the finished product on a proof gallon basis. The credit is allowable at the time the tax is payable as if it constituted a reduction in the rate of tax.

(c) Where credit against the tax is desired, the person liable for the tax shall establish an effective tax rate in accordance with §250.79a. The effective tax rate established will be applied to each withdrawal or other disposition of the distilled spirits for consumption or sale within the United States.

(Approved by Office of Management and Budget under control number 1512-0203)

(Act of August 16, 1954, Pub. L. 591, 68A Stat. 907, as amended (26 U.S.C. 7652); Sec. 201, Pub. L. 85-859, 72 Stat. 1314, as amended (26 U.S.C. 5001); Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18066, Apr. 30, 1990]

### **§250.78 Application and permit, ATF Form 5110.51.**

Application for permit to compute the tax on, and to withdraw, distilled spirits shall be made on ATF Form 5110.51, in quintuplicate, by the proprietor. The proprietor shall forward all copies of the form to the Secretary. If the application is properly prepared and is otherwise in order, the Secretary or his delegate shall execute the permit, retain one copy, and forward the original and remaining copies of the form to the revenue agent at the premises where the products are located.

[T.D. ATF-62, 44 FR 71711, Dec. 11, 1979, as amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.79 Inspection or gauge and computation of tax.**

On receipt of permit to compute the tax on ATF Form 5110.51, the revenue agent shall:

- (a) In the case of spirits in packages, prepare a gauge record as provided in §250.164a in quadruplicate, compute the tax thereon, and attach all copies of the gauge record to ATF Form 5110.51;
- (b) In the instance of spirits in cases, verify by inspection the quantity of spirits described on the form; or
- (c) In the case of spirits in a bulk conveyance, verify by gauge or inspection the quantity of spirits described on the form.

If the revenue agent determines any variation between his gauge and the quantity of spirits described on Form 5110.51, he shall amend and initial the data in Part I of the form. The revenue agent shall deliver all copies of Form 5110.51 and any accompanying package gauge record to the proprietor. The proprietor shall then compute and enter the amount of tax on all copies of Form 5110.51.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8549, Mar. 1, 1985]

### **§250.79a Computation of effective tax rate.**

(a) The proprietor shall compute the effective tax rate for distilled spirits containing eligible wine or eligible flavors as the ratio of the numerator and denominator as follows:

(1) the numerator will be the sum of:

- (i) The proof gallons of all distilled spirits used in the product (exclusive of distilled spirits derived from eligible flavors), multiplied by the tax rate prescribed by 26 U.S.C. 5001;
- (ii) The wine gallons of each eligible wine used in the product, multiplied by the tax rate prescribed by 26 U.S.C. 5041(b) (1), (2), or (3), as applicable; and
- (iii) The proof gallons of all distilled spirits derived from eligible flavors used in the product, multiplied by the tax rate prescribed by 26 U.S.C. 5001, but only to the extent that such distilled spirits exceed 2½% of the denominator prescribed in paragraph (a)(2) of this section.

(2) The denominator will be the sum of:

(i) The proof gallons of all distilled spirits used in the product, including distilled spirits derived from eligible flavors; and

(ii) The wine gallons of each eligible wine used in the product, multiplied by twice the percentage of alcohol by volume of each, divided by 100.

(b) In determining the effective tax rate, quantities of distilled spirits, eligible wine, and eligible flavors will be expressed to the nearest tenth of a proof gallon. The effective tax rate may be rounded to as many decimal places as the proprietor deems appropriate, provided that, such rate is expressed no less exactly than the rate rounded to the nearest whole cent, and the effective tax rates for all products will be consistently expressed to the same number of decimal places. In such case, if the number is less than five it will be dropped; if it is five or over, a unit will be added.

(c) The following is an example of the use of the formula.

BATCH RECORD		
Distilled spirits .....	2249.1 proof gallons.	
Eligible wine (14% alcohol by volume).	2265.0 wine gallons.	
Eligible wine (19% alcohol by volume).	1020.0 wine gallons.	
Eligible flavors .....	100.9 proof gallons.	
2249.1(\$12.50)+[2265.0(\$0.17)+1020(\$0.67)]+16.6 <sup>1</sup> (\$12.50)	2249.1(\$13.50)+[2265.0(\$1.1	
	=	
2249.1+100.9+[2265.0(.28)+1020.0(.38)]	224	
	9.1	
	+10	
	0.9	
	+(2	
	265	
	.0x.	
	28)	
	+(1	
	020	
	x.38	
	)	
\$30,362.85+\$2,423.55+\$1,601.40+\$224.10		\$34,611.90 = \$10.2
	=	
2,350.0+634.2+387.6	\$3,	
	371	
	.8	

<sup>1</sup>Proof gallons by which distilled spirits derived from eligible flavors exceed 2½% of the total proof gallons in the batch (100.9-(2½%)x3.371.8=16.6).

(Approved by Office of Management and Budget under control number 1512-0203)

(Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18066, Apr. 30, 1990, as amended by T.D. ATF-307, 55 FR 52741, Dec 21, 1990]

## **§250.80 Deferred payment of tax--release of spirits.**

### **(a) *Action by proprietor.***

Where the proprietor has furnished bond on ATF Form 5110.50, and payment of the tax is to be deferred, he shall execute an agreement on ATF Form 5110.51 to pay

the amount of tax which has been computed and entered on the form. He shall also certify, under the penalties of perjury, that he is not in default of any payment of tax chargeable against his bond, and that his bond is in the maximum penal sum, or that it is sufficient to cover the amount of tax on the distilled spirits described on the form in addition to all other amounts chargeable against this bond. The proprietor shall deliver all copies of ATF Form 5110.51 and any package gauge record as provided in §250.164a to the revenue agent.

(b) *Action by revenue agent.*

On receipt of ATF Form 5110.51 and any package gauge record, the revenue agent shall verify the computation of the tax entered on the ATF Form 5110.51, and if the proprietor has on file a good and sufficient bond, ATF Form 5110.50, so indicate on ATF Form 5110.51. The revenue agent shall then execute his report of release on the ATF Form 5110.51 and release the spirits for shipment to the United States. He shall distribute ATF Form 5110.51 and any package gauge record according to the instructions of ATF Form 5110.51. Where the revenue agent finds that the proprietor does not have good and sufficient bond coverage, or where the revenue agent has received information that the proprietor is in default of payment of any taxes previously charged to his bond, he shall return all copies of ATF Form 5110.51 and any package gauge record to the proprietor, giving his reasons for such action.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8549, Mar. 1, 1985]

## **§250.81 Prepayment of tax and release of spirits.**

(a) *Action by proprietor.*

Where the distilled spirits are to be released after payment of the computed tax, the proprietor shall enter the amount of such computed tax on all copies of ATF Form 5110.51 and execute the statement that such tax is being prepaid. The proprietor shall then prepare ATF Form 5000.25 in duplicate, and send the original with all copies of ATF Form 5110.51 and any package gauge record as provided in §250.164a and the remittance in full for the tax, to the Chief, Puerto Rico Operations.

(b) *Action by Chief, Puerto Rico Operations.*

On receipt of ATF Forms 5110.51, 5000.25 and any package gauge record, with remittance covering prepayment of tax, the Chief, Puerto Rico Operations shall execute the receipt on ATF Form 5000.25 and execute the report of prepaid taxes on all copies of ATF Form 5110.51. The Chief, Puerto Rico Operations shall then retain the originals of ATF Forms 5110.51 and 5000.25 and forward the remaining copies of ATF Form 5110.51 in accordance to the instructions on the form.

(c) *Action by revenue agent.*

On receipt of ATF Form 5110.51 executed by the Chief, Puerto Rico Operations to show receipt of ATF Form 5000.25 and remittance, the revenue agent shall execute the report of release on the ATF Form 5110.51 and release the spirits for shipment to the United States. The completed ATF Form 5110.51 shall be distributed according to the instructions on the form.

(Approved by the Office of Management and Budget under control number 1512-0210 and 1512-0497)

[T.D. ATF-277, 53 FR 45267, Nov. 9, 1988]

### **§250.82 Permit to ship.**

Distilled spirits may not be shipped to the United States until permit for such shipment has been obtained from the Secretary as provided in §§250.114 through 250.116.

[T.D. 6695, 28 FR 12932, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-62, 44 FR 71711, Dec. 11, 1979]

## **PACKAGES OF DISTILLED SPIRITS**

### **§250.86 Authority for shipment.**

Where distilled spirits of Puerto Rican manufacture are to be shipped to the United States in containers having a capacity of more than one gallon, the laws and regulations of the Commonwealth of Puerto Rico require that prior approval for such shipment be obtained from the Secretary.

[T.D. 6695, 28 FR 12933, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **§250.87 Evidence of taxpayment.**

Where, under the provisions of §250.86, a person has made application to the Secretary for authority to ship distilled spirits of Puerto Rican manufacture to the United States in containers having a capacity of more than one gallon, he shall, at the same time, submit sworn evidence to the Secretary that the distilled spirits tax has been paid as provided in §250.81 or deferred as provided in §250.80, or he shall submit application, ATF Form 5110.51, for permit to pay such taxes, as provided in §250.78. When satisfied that the shipper has complied with all provisions of this part relating to the payment of taxes on such distilled spirits, the Secretary or his delegate, shall note his approval on both copies of the sworn application, and return one copy to the shipper. On receipt of the approved application, the shipper shall submit application for permit to ship, Form 487B, as prescribed in §§250.114 through 250.116.

[T.D. 6695, 28 FR 12933, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-62, 44 FR 71711, Dec. 11, 1979]

## **WINE**

### **§250.92 Subject to tax.**

(a) Wine of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale is subject to a tax equal to the internal revenue tax imposed in the United States on wine by 26 U.S.C. 5041.

(b) The excise taxes collected on wine of Puerto Rican manufacture shall be deposited in the Treasury of Puerto Rico only if the sum of the cost or value of the materials produced in Puerto Rico, plus the direct costs of processing operations performed in Puerto Rico, equals or exceeds 50 percent of the value of the wine when it is brought into the United States.

(Aug. 16, 1954, Chapter 736, 68A Stat. 907, as amended (26 U.S.C. 7652))

[T.D. ATF-206, 50 FR 15888, Apr. 23, 1985]

### **§250.93 Application and permit, Form 2900.**

When wine of Puerto Rican manufacture is to be withdrawn for shipment to the United States, or for use in an article made with wine only or with wine and beer only, for shipment to the United States, application for permit to compute the tax on, and to withdraw, the wine shall be made on Form 2900, in quintuplicate, by the proprietor of the bonded premises where the wine is stored. If the withdrawal is to be made in casks, barrels, kegs or similar containers, the proprietor shall enter the name of the winemaker producing the wine, the serial numbers of the packages, the total number of wine gallons contained therein, and the taxable grade of the wine, for example, "not more than 14 percent" if the wine contains not more than 14 percent of alcohol by volume, "14-21 percent" if the wine contains more than 14 percent and not exceeding 21 percent of alcohol by volume, "21-24 percent" if the wine contains more than 21 percent but not exceeding 24 percent of alcohol by volume. If the application covers more than one taxable grade of wine, the quantity in each taxable grade shall be reported separately. If the withdrawal is to consist of bottled wine, the proprietor shall show the number of cases, size of the bottles, the number of bottles per case, the total quantity in wine gallons, and the taxable grade of the wine in the manner stated above. The proprietor shall forward all copies of the form to the Secretary. If the application is properly prepared and is otherwise in order, the Secretary or his delegate shall execute the permit, retain one copy, and return the original and three copies to the proprietor.

[T.D. ATF-62, 44 FR 71712, Dec. 11, 1979, as amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.94 Computation of tax.**

On receipt of permit to compute the tax on Form 2900, the proprietor shall compute and enter the amount of the tax on all copies of the form.

[T.D. 6695, 28 FR 12934, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **§250.95 Deferred payment of tax--release of wine.**

#### **(a) *Action by proprietor.***

Where the proprietor has furnished bond, on Form 2897, and payment of the tax is to be deferred, he shall execute the agreement on Form 2900 to pay the amount of tax which has been computed and entered on the form. He shall also certify under the penalties of perjury that he is not in default of any payment of tax chargeable against his bond, and that his bond is in the maximum penal sum, or that it is sufficient to cover the amount of tax on the wine described on the form in addition to all other amounts chargeable against his bond. The proprietor shall deliver all copies of Form 2900 to the revenue agent.

#### **(b) *Action by revenue agent.***

On receipt of Form 2900, the revenue agent shall verify the computation of the tax entered on the form, and if the proprietor has on file a good and sufficient bond, Form 2897, so indicate on Form 2900. The revenue agent shall then execute his report of release on the Form 2900 and release the wine for the purpose authorized on the form. The completed form shall be distributed in the same manner as provided for ATF Form 5110.51 in §250.80(b). Where the revenue agent finds that the proprietor does not have good and sufficient bond coverage, or that the proprietor is in default of payment of any taxes previously charged to his bond, he



shall return all copies of Form 2900 to the proprietor, giving his reasons for such action.

[T.D. 6695, 28 FR 12934, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-62, 44 FR 71712, Dec. 11, 1979]

### **§250.96 Prepayment of tax--release of wine.**

#### **(a) *Action by proprietor.***

Where the wine is to be withdrawn from bonded storage after payment of the computed tax, the proprietor shall enter the amount of such computed tax on all copies of ATF Form 2900 (5100.21) and execute the statement that such tax is being prepaid. The proprietor shall then prepare ATF Form 5000.25 in duplicate and send the original with all copies of ATF Form 2900 (5100.21) and the remittance in full for the tax, to the Chief, Puerto Rico Operations.

#### **(b) *Action by Chief, Puerto Rico Operations.***

On receipt of ATF Forms 2900 (5100.21) and 5000.25, and remittance covering prepayment of tax, the Chief, Puerto Rico Operations shall execute the receipt on ATF Form 5000.25 and execute the report of prepaid taxes on all copies of ATF Form 2900 (5100.21). The Chief, Puerto Rico Operations shall then retain the originals of ATF Forms 2900 (5100.21) and 5000.25 and forward the remaining copies of ATF Form 2900 (5100.21) in accordance with the instructions on the form.

#### **(c) *Action by revenue agent.***

On receipt of ATF Form 2900 (5100.21) executed by the Chief, Puerto Rico Operations to show receipt of ATF Form 5000.25 and remittance, the revenue agent shall execute the report of release on the ATF Form 2900 (5100.21) and release the wine for the purpose authorized on the form. The completed ATF Form 2900 (5100.21) shall be distributed according to the instructions on the form.

(Approved by the Office of Management and Budget under control number 1512-0149 and 1512-0497)

[T.D. ATF-277, 53 FR 45267, Nov. 9, 1988]

### **§250.96b Permit to ship.**

Wine released from bonded storage under §250.95 or §250.96 may not be shipped to the United States until permit for such shipment has been obtained from the Secretary as provided in §§250.114 through 250.116.

[T.D. 6695, 28 FR 12934, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **§250.97 Marking containers of wine.**

Containers of wine of Puerto Rican manufacture which are to be shipped to the United States must be marked with the name of the winemaker, the serial number of the container, the kind and taxable grade of the wine, the gallon content, and the serial number of the withdrawal permit, Form 487B, prefixed by the number of such form, e.g., "487B-61-3."

## **BEER**



### **§250.101 Subject to tax.**

(a) Beer of Puerto Rican manufacture coming into the United States and withdrawn for consumption or sale is subject to a tax equal to the internal revenue tax imposed on beer in the United States by 26 U.S.C. 5051.

(b) The excise taxes collected on beer of Puerto Rican manufacture shall be deposited in the Treasury of Puerto Rico only if the sum of the cost or value of the materials produced in Puerto Rico, plus the direct costs of processing operations performed in Puerto Rico, equals or exceeds 50 percent of the value of the beer when it is brought into the United States.

(Aug. 16, 1954, Chapter 736, 68A Stat. 907, as amended (26 U.S.C. 7652))

[T.D. ATF-206, 50 FR 15888, Apr. 23, 1985]

### **§250.102 Application and permit, Form 2900.**

When beer of Puerto Rican manufacture is to be withdrawn for shipment to the United States, or for use in making an article for shipment to the United States, application for permit to compute the tax on, and to withdraw, the beer shall be made by the brewer on Form 2900, in quintuplicate. If the withdrawal is to be made in hogsheads, barrels, or kegs, the brewer shall enter the total number of each size, according to capacity, of containers which it is desired to withdraw. If the withdrawal is to be made in bottles, the brewer shall enter the number of cases, size of bottles, number of bottles per case, the total contents thereof in gallons (liquid measure), and the equivalent thereof in barrels and fractions of barrels of 31 gallons each. The brewer shall forward all copies of the Form 2900 to the Secretary. If the application is properly prepared and is otherwise in order, the Secretary or his delegate shall execute the permit, retain one copy, and return the original and three copies to the brewer.

[T.D. 6695, 28 FR 12934, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19338, May 22, 1987]

### **§250.103 Computation of tax.**

On receipt of permit to compute the tax on Form 2900 the brewer shall compute and enter the amount of the tax on all copies of the form.

[T.D. 6695, 28 FR 12934, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **§250.104 Deferred payment of tax--release of beer.**

#### **(a) *Action by brewer.***

Where the brewer has furnished bond on Form 2898, and payment of the tax is to be deferred, he shall execute the agreement on Form 2900 to pay the amount of tax which has been computed and entered on the form. He shall also certify under the penalties of perjury that he is not in default of any payment of tax chargeable against his bond, and that his bond is in the maximum penal sum, or that it is sufficient to cover the amount of tax on the beer described on the form in addition to all other amounts chargeable against his bond. The brewer shall deliver all copies of Form 2900 to the revenue agent.

#### **(b) *Action by revenue agent.***

On receipt of Form 2900, the revenue agent shall verify the computation of the tax entered on the form, and if the proprietor has on file a good and sufficient bond, Form 2898, so indicate on Form 2900. The revenue agent shall then execute his report of release on the Form 2900 and release the beer for the purpose authorized on the form. The completed form shall be distributed in the same manner as provided for ATF Form 5110.51 in §250.80(b). Where the revenue agent finds that the proprietor does not have good and sufficient bond coverage, or that the proprietor is in default of payment of any taxes previously charged to his bond, he shall return all copies of Form 2900 to the proprietor, giving his reasons for such action.

[T.D. 6695, 28 FR 12934, Dec. 5 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-62, 44 FR 71712, Dec. 11, 1979]

### **§250.105 Prepayment of tax--release of beer.**

#### **(a) *Action by brewer.***

Where the beer is to be withdrawn from bonded storage after payment of the computed tax the brewer shall enter the amount of such computed tax on all copies of ATF Form 2900 (5100.21) and execute the statement that such tax is being prepaid. The brewer shall then prepare ATF Form 5000.25 in duplicate and send the original with all copies of ATF Form 2900 (5100.21) and the remittance in full for the tax, to the Chief, Puerto Rico Operations.

#### **(b) *Action by Chief, Puerto Rico Operations.***

On receipt of ATF Forms 2900 (5100.21) and 5000.25, and remittance covering prepayment of tax, the Chief, Puerto Rico Operations shall execute the receipt on ATF Form 5000.25 and execute the report of prepaid taxes on all copies of ATF Form 2900 (5100.21). The Chief, Puerto Rico Operations shall then retain the originals of ATF Forms 2900 (5110.21) and 5000.25 and forward the remaining copies of ATF Form 2900 (5100.21) in accordance with the instructions of the form.

#### **(c) *Action by revenue agent.***

On receipt of ATF Form 2900 (5100.21) executed by the Chief, Puerto Rico Operations to show receipt of ATF Form 5000.25 and remittance, the revenue agent shall execute the report of release on the ATF Form 2900 (5100.21) and release the beer for the purpose authorized on the form. The completed ATF Form 2900 (5100.21) shall be distributed according to the instructions on the form.

(Approved by the Office of Management and Budget under control number 1512-0149 and 1512-0497)

[T.D. ATF-277, 53 FR 45268, Nov. 9, 1988]

### **§250.105a Permit to ship.**

Beer released from bonded storage under §250.104 or §250.105 may not be shipped to the United States until permit for such shipment has been obtained from the Secretary as provided in §§250.114 through 250.116.

[T.D. 6695, 28 FR 12935, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **§250.106 Marking containers of beer.**

Containers of beer of Puerto Rican manufacture which are to be shipped to the United States must be marked with the name of the brewer; the serial number, capacity, and size of the container; the kind of beer; and the serial number of the withdrawal permit, Form 487B, prefixed by the number of such form, e.g., "487B-61-3."

## ARTICLES

### **§250.107 Taxable status.**

Articles of Puerto Rican manufacture which are to be shipped to the United States and which are not exempt from tax under the provisions of §250.36 are subject, under section 7652(a) to a tax equal to the tax imposed by the internal revenue laws of the United States. If such articles contain distilled spirits, the tax will be collected at the rate prescribed by 26 U.S.C. 5001(a)(1) on all alcohol contained therein, regardless of the source. Such articles containing only wine and/or beer will be taxed at the rates prescribed by 26 U.S.C. 5041 and/or 5051, respectively. A formula covering the manufacture of each article shall be filed by the manufacturer in accordance with subpart D of this part.

[T.D. ATF-62, 44 FR 71712, Dec. 11, 1979]

### **§250.108 Application for permit, ATF Form 5110.51 and/or Form 2900.**

#### *(a) Distilled spirits.*

Where distilled spirits of Puerto Rican manufacture are to be used in the manufacture of the articles to be shipped to the United States, the manufacturer shall make application on Form 5110.51, in accordance with the applicable provisions of §250.78.

#### *(b) Wine and/or beer.*

Where wine and/or beer of Puerto Rican manufacture is to be used in the manufacture of the articles to be shipped to the United States, the manufacturer shall make application on Form 2900, in accordance with the applicable provisions of §§250.93 and/or 250.102. Wine and beer may be included in the same application.

#### *(c) Approval of applications.*

The Secretary, or his delegate, shall approve and dispose of the applications in the manner prescribed in §§250.78, 250.93, and/or §250.102, as the case may be.

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-62, 44 FR 71712, Dec. 11, 1979]

### **§250.109 Taxpayment.**

#### *(a) Distilled spirits.*

The tax on distilled spirits contained in articles to be shipped to the United States, equal to the tax imposed in the United States by 26 U.S.C. 5001(a)(1), shall be computed in accordance with §250.79 and paid in accordance with the applicable provisions of §§250.80, 250.81, and 250.111 through 250.113.

#### *(b) Wine.*

The tax on wine used in the manufacture of articles to be shipped to the United States, equal to the tax imposed in the United States by 26 U.S.C. 5041, shall be computed in accordance with §250.94 and paid in accordance with the applicable provisions of §§250.95, 250.96, and 250.111 through 250.113.

(c) *Beer.*

The tax on beer used in the manufacture of articles to be shipped to the United States, equal to the tax imposed in the United States by 26 U.S.C. 5051, shall be computed in accordance with §250.103 and paid in accordance with the applicable provisions of §§250.104, 250.105, and 250.111 through 250.113.

[T.D. ATF-62, 44 FR 71712, Dec. 11, 1979]

### **§250.110 Release of articles or liquors.**

After determining that the proprietor has good and sufficient bond coverage, or, in the case of prepayment, on receipt of ATF Form 5110.51 or Form 2900 executed by the Chief, Puerto Rico Operations to show receipt of ATF Form 5000.25, and remittance, the revenue agent shall execute his report of release on ATF Form 5110.51 or Form 2900 and release the articles containing distilled spirits, or release the wine and/or beer for use in the manufacture of articles. He shall forward one copy of ATF Form 5110.51 or Form 2900, and any package gauge record as provided in §250.164a, to the Bureau of Alcoholic Beverage Taxes and one copy of each to the District Revenue Agent (Commonwealth of Puerto Rico), deliver one copy of each to the applicant, and retain one copy. A permit shall be obtained as provided in §§250.114 through 250.116 before the articles manufactured from such liquors may be shipped to the United States.

(Approved by the Office of Management and Budget under control number 1512-0497)

[T.D. ATF-198, 50 FR 8550, Mar. 1, 1985, as amended by T.D. ATF-251, 52 FR 19338, May 22, 1987; T.D. ATF-277, 53 FR 45268, Nov. 9, 1988]

## **PAYMENT OF TAX BY RETURN**

### **§250.111 General.**

All taxes imposed by 26 U.S.C. 7652(a), and which, under the provisions of this part, are paid in Puerto Rico, shall be paid and collected on the basis of a tax return as provided in this subpart. Any tax which has been paid in accordance with the provisions of this part in effect at the time of such payment, and before provision was made in the part for payment of such tax by return, shall be deemed to have been prepaid as prescribed in this part.

[T.D. 6551, 26 FR 1490, Feb. 22, 1961. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-48, 44 FR 55852, Sept. 28, 1979; T.D. ATF-277, 53 FR 45268, Nov. 9, 1988]

### **§250.112 Returns for semimonthly periods.**

(a) *Returns.*

The taxes imposed by 26 U.S.C. 7652(a), (equal to the taxes imposed in the United States by 26 U.S.C. 5001(a)(1), 5041, or 5051), the payment of which has been deferred under the provisions of §§250.80, 250.95 or 250.104 of this part, shall be paid pursuant to a return on ATF Form 5000.25 prepared in accordance with the

instructions on the form.

(b) *Periods.*

Except as provided for in paragraph (d) of this section, the periods to be covered by returns on ATF Form 5000.24 shall be semimonthly; such periods to run from the 1st day through the 15th day of each month and from the 16th day through the last day of each month.

(c) *Filing.*

(1) The original of ATF Form 5000.25, with remittance covering the full amount of the tax, shall be filed with the Chief, Puerto Rico Operations not later than the 14th day after the last day of the return period except as provided by paragraph (d) of this section. If the due date falls on a Saturday, Sunday, or legal holiday, the return and remittance shall be due on the immediately preceding day which is not a Saturday, Sunday, or legal holiday, except as provided by paragraph (d) of this section.

(2) The tax shall be paid in full by remittance at the time the return is filed, unless the proprietor is required to make remittances by electronic fund transfer in accordance with §250.112a.

(3) The remittance may be in any form the Chief, Puerto Rico Operations, is authorized to accept under the provisions of §70.61 of this chapter (Payment by check or money order) and which is acceptable to the Chief, Puerto Rico Operations. A remittance by check or money order, shall be made payable to the "Bureau of Alcohol, Tobacco and Firearms."

(4) When the return and remittance are delivered by U.S. mail to the office of the Chief, Puerto Rico Operations, the date of the official postmark of the U.S. Postal Service stamped on the cover in which the return and remittance were mailed shall be treated as the date of delivery.

(d) *Special rule for taxes due for the month of September (effective after December 31, 1994).*

(1) The second semimonthly period for the month of September shall be divided into two payment periods, from the 16th day through the 26th day, and from the 27th day through the 30th day. The taxpayer shall file a return on Form 5000.24, and make remittance, for the period September 16-26, no later than September 29. The taxpayer shall file a return on Form 5000.24, and make remittance, for the period September 27-30, no later than October 14.

(2) *Taxpayment not by electronic fund transfer.* In the case of taxes not required to be remitted by electronic fund transfer as prescribed by §250.112a, the second semimonthly period of September shall be divided into two payment periods, from the 16th day through the 25th day, and the 26th day through the 30th day. The taxpayer shall file a return on Form 5000.24, and make remittance, for the period September 16-25, no later than September 28. The taxpayer shall file a return on Form 5000.24, and make remittance, for the period September 26-30, no later than October 14.

(3) *Amount of payment: Safe harbor rule.*

(i) Taxpayers are considered to have met the requirements of paragraph (d)(1) of this section, if the amount paid no later than September 29 is not less than 11/15 (73.3 percent) of the tax liability incurred for the semimonthly period beginning on September 1 and ending on September 15, and if any underpayment of tax is paid by October 14.

(ii) Taxpayers are considered to have met the requirements of paragraph (d)(2) of this section, if the amount paid no later than September 28 is not less than 2/3rds (66.7 percent) of the tax liability incurred for the semimonthly period beginning on September 1 and ending on September 15, and if any underpayment of tax is paid by October 14.

(4) *Last day for payment.* If the required due date for taxpayment for the periods September 16-25 or September 16-26 as applicable, falls on a Saturday or legal holiday, the return and remittance shall be due on the immediately preceding day. If the required due date falls on a Sunday, the return and remittance shall be due on the immediately following day.

(e) *Default.*

Where a taxpayer has defaulted in any payment of tax under this section, during the period of such default and until the regional director (compliance) finds that the revenue will not be jeopardized by deferred payment of tax under this section, the tax shall be prepaid by such taxpayer in accordance with the provisions of §250.113. During such period, distilled spirits, wine, or beer shall not be released from the proprietor's bonded premises before the proprietor has paid the tax thereon. In the event of default, the Chief, Puerto Rico Operations shall immediately notify the Secretary and the revenue agent at the premises that tax is to be prepaid until further notice, and upon a finding that the revenue will not be jeopardized by resumption of deferred payment of tax under this section, the Chief, Puerto Rico Operations shall notify the Secretary and the revenue agent that deferred payment may be resumed.

(Approved by the Office of Management and Budget under control number 1512-0497)

(Aug. 16, 1954, Ch. 736, 68A Stat. 775, (26 U.S.C. 6301); June 29, 1956, Ch. 462, 70 Stat. 391 (26 U.S.C. 6301))

[T.D. ATF-277, 53 FR 45268, Nov. 9, 1988, as amended by T.D. ATF-301, 55 FR 47658, Nov. 14, 1990; T.D. ATF-365, 60 FR 33674, June 28, 1995]

**§250.112a Payment of tax by electronic fund transfer.**

(a) *General.*

(1) Each taxpayer who was liable, during a calendar year, for a gross amount equal to or exceeding five million dollars in distilled spirits taxes combining tax liabilities incurred under this part and parts 19 and 251 of this chapter, a gross amount equal to or exceeding five million dollars in wine taxes combining tax liabilities incurred under this part and parts 240 and 251 of this chapter, or a gross amount equal to or exceeding five million dollars in beer taxes combining tax liabilities incurred under this part and parts 25 and 251 of this chapter, shall use a commercial bank in making payment by electronic fund transfer (EFT) of



such taxes during the succeeding calendar year. Payment by cash, check, or money order, of distilled spirits taxes, wine taxes, or beer taxes, as described in §250.112, is not authorized for a taxpayer who is required, by this section, to make remittances by EFT. For purposes of this section, the dollar amount of tax liability is to be summarized separately for distilled spirits taxes, wine taxes, or beer taxes, and is defined as the gross tax liability on each type of product for which taxes are paid in accordance with this subpart, taxable withdrawals from premises in the United States, and importation during the calendar year, without regard to any drawbacks, credits, or refunds, for all premises at which tax liabilities are incurred by the taxpayer. Overpayments are not taken into account in summarizing the gross tax liability.

(2) For the purposes of this section, a taxpayer includes a controlled group of corporations, as defined in 26 U.S.C. 1563, and implementing regulations in 26 CFR 1.1563-1 through 1.1563-4, except that the words "at least 80 percent" shall be replaced by the words "more than 50 percent" in each place it appears in subsection (a) of 26 U.S.C. 1563, as well as in the implementing regulations. Also, the rules for a "controlled group of corporations" apply in a similar fashion to groups which include partnerships and/or sole proprietorships. If one entity maintains more than 50% control over a group consisting of corporations and one, or more, partnerships and/or sole proprietorships, all of the members of the controlled group are one taxpayer for the purpose of determining who is required to make remittances by EFT.

(3) A taxpayer who is required by this section to make remittances by EFT, shall make a separate EFT remittance and file a separate tax return, for each premises from which distilled spirits, wine, or beer is withdrawn upon determination of tax.

**(b) *Requirements.***

(1) On or before January 10 of each calendar year, except for a taxpayer already remitting the tax by EFT, each taxpayer who was liable for a gross amount equal to or exceeding five million dollars in distilled spirits taxes combining tax liabilities incurred under this part and parts 19 and 251 of this chapter, a gross amount equal to or exceeding five million dollars in wine taxes combining tax liabilities incurred under this part and parts 240 and 251 of this chapter, or a gross amount equal to or exceeding five million dollars in beer taxes combining tax liabilities incurred under this part and parts 245 and 251 of this chapter during the previous calendar year, shall notify, in writing, the regional director (compliance), for each region in which taxes are paid. The notice shall be an agreement to make remittances by EFT.

(2) For each return filed in accordance with this part, the taxpayer shall direct the taxpayer's bank to make an electronic fund transfer in the amount of the taxpayment to the Treasury Account as provided in paragraph (e) of this section. The request shall be made to the bank early enough for the transfer to be made to the Treasury Account by no later than the close of business on the last day for filing the return, prescribed in §250.112 or §250.113. The request shall take into account any time limit established by the bank.

(3) If a taxpayer was liable for less than five million dollars in distilled spirits taxes

combining tax liabilities incurred under this part and parts 19 and 251 of this chapter, less than five million dollars in wine taxes combining tax liabilities incurred under this part and parts 240 and 251 of this chapter, or less than five million dollars in beer taxes combining tax liabilities incurred under this part and parts 245 and 251 of this chapter during the preceding calendar year, the taxpayer may choose either to continue remitting the tax as provided in this section or to remit the tax with the return as prescribed by §250.112. Upon filing the first return on which the taxpayer chooses to discontinue remitting the tax by EFT and to begin remitting the tax with the tax return, the taxpayer shall notify the regional director (compliance) by attaching a written notification to the tax return, stating that no taxes are due by EFT, because the tax liability during the preceding calendar year was less than five million dollars, and that the remittance shall be filed with the tax return.

(c) *Remittance.*

(1) Each taxpayer shall show on the tax return, information about remitting the tax for that return by EFT and shall file the return with the Chief, Puerto Rico Operations.

(2) Remittances shall be considered as made when the taxpayment by electronic fund transfer is received by the Treasury Account. For purposes of this section, a taxpayment by electronic fund transfer shall be considered as received by the Treasury Account when it is paid to a Federal Reserve Bank.

(3) When the taxpayer directs the bank to effect an electronic fund transfer message as required by paragraph (b)(2) of this section, any transfer data record furnished to the taxpayer, through normal banking procedures, will serve as the record of payment, and shall be retained as part of required records.

(d) *Failure to make a taxpayment by EFT.*

The taxpayer is subject to a penalty imposed by 26 U.S.C. 5684, 6651, or 6656, as applicable, for failure to make a taxpayment by EFT on or before the close of business on the prescribed last day for filing.

(e) *Procedure.*

Upon the notification required under paragraph (b)(1) of this section, the regional director (compliance) will issue to the taxpayer an ATF Procedure entitled, Payment of Tax by Electronic Fund Transfer. This publication outlines the procedure a taxpayer is to follow when preparing returns and EFT remittances in accordance with this part. The U.S. Customs Service will provide the taxpayer with instructions for preparing EFT remittances for payments to be made to the U.S. Customs Service.

(Approved by the Office of Management and Budget under control number 1512-0457)

(Act of August 16, 1954, 68A Stat. 775, as amended (26 U.S.C. 6302); sec. 201, Pub. L. 85-859, 72 Stat. 1335, as amended (26 U.S.C. 5061))

[T.D. ATF-185, 49 FR 37580, Sept. 25, 1984, as amended by T.D. ATF-245, 52 FR 532, Jan. 7, 1987; T.D. ATF-251, 52 FR 19339, May 22, 1987; T.D. ATF-262, 52 FR 47560, Dec. 15, 1987; T.D. ATF-277, 53 FR 45268, Nov. 9, 1988]

**§250.113 Returns for prepayment of taxes.**



(a) *General.*

If a proprietor does not have on file with the Chief, Puerto Rico Operations an approved bond covering the deferred payment of taxes, or if such bond is in an insufficient penal sum, or if there is default by him in any payment of tax under this subpart, liquors shall not be released from bonded storage before the proprietor has paid the tax thereon.

(b) *Remittances.*

Remittances submitted to cover prepayment of taxes under this subpart shall be in cash, United States postal money orders, certified checks, or cashier's checks.

(c) *Distilled spirits.*

In all cases where taxes equal to the taxes imposed in the United States by 26 U.S.C. 5001(a)(1) are to be paid before distilled spirits may be released for shipment, the proprietor shall pay such taxes pursuant to a return on ATF Form 5000.25, as prescribed in §250.81.

(d) *Wine.*

In all cases where taxes equal to the taxes imposed in the United States by 26 U.S.C. 5041, are to be paid before wine may be withdrawn from bonded storage, the proprietor shall pay such taxes pursuant to a return on ATF Form 5000.25, and as prescribed in §250.96.

(e) *Beer.*

In all cases where taxes equal to the taxes imposed in the United States by 26 U.S.C. 5051, are to be paid before beer may be withdrawn from bonded storage, the brewer shall pay such taxes pursuant to a return on ATF Form 5000.25, and as prescribed in §250.105.

(f) *Applicable procedures.*

The procedures of §250.112(c) with respect to returns delivered by United States mail shall apply to returns and remittances filed under the provisions of this section.

(Approved by the Office of Management and Budget under control number 1512-0497)

[20 FR 6077, Aug. 20, 1955 as amended by T.D. 6821, 30 FR 6217, May 4, 1965. Redesignated at 40 FR 16835, Apr. 15, 1975]

## PERMIT TO SHIP LIQUORS AND ARTICLES

### **§250.114 Permit to ship required.**

Before liquors and articles of Puerto Rican manufacture, upon which all internal revenue taxes have been paid or deferred as prescribed in this subpart, may be shipped to the United States, a permit to ship, Form 487B, must be obtained from the Secretary as provided in §§250.115 and 250.116.

### **§250.115 Application, Form 487B.**

Application for permit to ship to the United States liquors and articles of Puerto Rican manufacture on which all taxes have been paid or deferred as prescribed in this subpart shall be made by the shipper on Form 487B, in sextuple. Each Form 487B will be given a serial number, by the applicant, beginning with "1" for the first day of January of each year and running consecutively thereafter to December 31, inclusive. This serial number will be prefixed by the last two digits of the calendar year, e.g. "61--1." All copies of the form shall be delivered to the revenue agent for execution of his certification thereon and forwarding of all copies to the Secretary within sufficient time to allow for the issuance of the permit and customs inspection as provided in §250.116.

#### **§250.116 Issuance of permit, Form 487B, and customs inspection.**

If the application has been properly executed and the Secretary, or his delegate, finds that all internal revenue taxes imposed under 26 U.S.C. 7652(a), have been computed under the provisions of this part and have been paid or, pursuant to a sufficient bond, have been deferred under the applicable provisions of this part, he will execute his permit on all copies thereof, retain one copy of the form, return two copies to the shipper, and send three copies to the district director of customs in Puerto Rico. The shipper will submit the two copies of the Form 487B to the district director of customs at least six hours prior to the intended lading of the merchandise. The district director of customs will then inspect the merchandise covered by the Form 487B after which he will execute his certificate on each copy of Form 487B indicating all exceptions. If discrepancies appear indicating differences between the quantity covered by Form 487B and the quantity actually contained in the shipment or the improper tax payment of the merchandise, he will withhold release of the shipment and notify the Secretary of such discrepancies. Thereupon, such discrepancies must be corrected in the shipping documents and additional tax paid, if required, prior to release of the merchandise. The district director of customs, upon release of the merchandise for shipment, will retain one copy of the Form 487B, return two copies to the shipper, and send two copies to the district director of customs at the port of arrival in the United States, one of which should be mailed and the other dispatched on the vessel concerned for the guidance of the ATF officer who will handle the cargo. After the shipment has been cleared by the district director of customs in Puerto Rico, the shipper shall retain one copy of the Form 487B and send one copy thereof, with other shipping documents, to the district director of customs at the port of arrival.

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2249, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **PROCEDURE AT PORT OF ARRIVAL**

#### **§250.117 Action by carrier.**

The carrier of the merchandise specified on the Form 487B shall, at the time of unlading at the port of arrival in the United States, segregate and arrange the cases of liquors or articles for convenient customs examination and will assume any expense incurred in connection therewith.

#### **§250.118 Inspection by district director of customs at port of arrival.**

On receipt of properly executed Form 487B from the shipper and the copies of Form

487B from the district director of customs in Puerto Rico, the district director of customs at the port of arrival shall inspect the merchandise to determine whether the quantity specified on the Form 487B is contained in the shipment. He will then execute his certificate on each copy of Form 487B received and indicate thereon any exceptions found at the time of discharge. The statement of exceptions should show the serial number of each case or other shipping container which sustained a loss, the quantity of liquor reported shipped in such container and the quantity lost. Losses occurring as the result of missing bottles, cases, or other containers should be listed separately from empty containers and containers which have sustained losses due to breakage. Where the statement is made on the basis of bottles missing or lost due to other cause, the number and size of bottles lost should be shown. If the director finds that the full amount of the taxes due has not been paid, he will require the difference due to be paid prior to release of the merchandise in accordance with the applicable provisions of this part. When the proper inspection of the merchandise has been effected, and any additional taxes found to be due on the liquors or articles collected, the merchandise will be released.

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2249, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

#### **§250.119 Disposition of forms by district director of customs.**

Two copies of the Form 487B will be forwarded to the Chief, Puerto Rico Operations, and one copy of the form will be retained by the district director of customs and be available for inspection by ATF officers. If the taxpayer files a claim for refund of tax on losses, the Chief, Puerto Rico Operations will forward to the regional director (compliance) of the region in which the port of arrival is located a copy of the completed Form 487B with the claim for refund.

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2249, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-251, 52 FR 19339, May 22, 1987]

## **Subpart F--Liquors and Articles Purchased by Tourists in Puerto Rico**

#### **§250.125 Taxable.**

When liquors and articles subject to tax are brought into the United States by tourists, the tax thereon shall be paid as provided in this subpart.

#### **§250.126 Taxpayment in Puerto Rico.**

Liquors upon which all Federal internal revenue taxes have been paid in Puerto Rico may be brought into the United States for personal consumption without payment of additional taxes. When distilled spirits, wines, or beer are purchased by a tourist for consumption in the United States, the internal revenue tax due may be paid to the Chief, Puerto Rico Operations, and an ATF receipt obtained, or the tax may be paid to the U.S. Customs authorities, who will issue a customs receipt. The tax on articles purchased by tourists may be paid in the same manner. The receipt received from the Chief, Puerto Rico Operations or from the customs officer shall be presented, as required, as evidence that the tax has been paid.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1335, as amended, 1358, as amended (26 U.S.C. 5061, 5205))

[T.D. ATF-206, 50 FR 23954, June 7, 1985, as amended by T.D. ATF-251, 52 FR 19339, May 22, 1987]

### **§250.128 Taxpayment at port of arrival.**

If the internal revenue tax on liquors and articles is not paid in Puerto Rico, it shall be paid by the tourist at the port of arrival prior to release of the liquors or articles from customs custody. The tax may be paid to the regional director (compliance), and an ATF receipt obtained, or the tax may be paid to the director of customs, who will issue a customs receipt. If payment is to be made to the regional director (compliance), the director of customs will notify the region of the amount of tax due. On payment of the tax to the director of customs, or on submission of the ATF receipt for the tax, the director of customs will release the liquors or articles.

[T.D. ATF-251, 52 FR 19339, May 22, 1987]

## **Subpart G--Closures for Distilled Spirits From Puerto Rico**

### **§250.135 Containers of distilled spirits to bear closures.**

Containers of 1 gallon (3.785 liters) or less of distilled spirits, upon which all Federal internal revenue taxes have been paid or deferred in Puerto Rico under provisions of this part, shall have closures or other devices affixed in accordance with the provisions of this part, prior to shipment to the United States.

(Sec. 454, Pub. L. 98-369, 98 Stat. 494 (26 U.S.C. 5301))

[T.D. ATF-206, 50 FR 23954, June 7, 1985]

### **§250.136 Affixing closures.**

Closures or other devices shall be securely affixed to containers having capacity of 1 gallon (3.785 liters) or less so as to leave a portion remaining on the container when it is opened. In addition, the closures or other devices shall be constructed in such a manner as to require that they be broken to gain access to the contents of the containers.

(Sec. 454, Pub. L. 98-369, 98 Stat. 494 (26 U.S.C. 5301))

[T.D. ATF-206, 50 FR 23954, June 7, 1985]

## **Subpart H--Records and Reports of Liquors From Puerto Rico**

### **§250.163 General requirements.**

Except as provided in §250.164, every person, other than a tourist, bringing liquor into the United States from Puerto Rico shall keep records and render reports of the physical receipt and disposition of such liquors in accordance with part 194 ("Liquor Dealers") of this chapter: *Provided*, That if the person who is responsible for release of the liquors from customs custody does not take physical possession of the liquors, he shall keep commercial records reflecting such release; such records shall identify the kind and quantity of the liquors released, the name and address of the person receiving the liquors from customs custody, and shall be filed chronologically by release dates. Records and reports will not be required under this part with respect of liquors while in

customs custody.

(Approved by the Office of Management and Budget under control number 1512-0352)

(72 Stat. 1342, 1395; 26 U.S.C. 5114, 5555)

[T.D. ATF-2, 37 FR 22736, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-172, 49 FR 14943, Apr. 16, 1984]

### **§250.164 Proprietors of taxpaid premises.**

Transactions involving the bringing of liquors into the United States from Puerto Rico by proprietors of distilled spirits plants in the United States qualified under the provisions of this chapter shall be recorded and reported in accordance with the regulations governing the operations of such premises in the United States.

[T.D. 6402, 24 FR 6090, July 30, 1959. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-198, 50 FR 8551, Mar. 1, 1985]

### **§250.164a Package gauge record.**

When required in this part, with respect to Puerto Rican spirits, a package gauge record shall be prepared to show:

- (a) The date prepared;
- (b) The related transaction form and its serial number;
- (c) The producer or rectifier (processor) of the spirits, and his name, address, and plant registration number; and
- (d) For each package, the:
  - (1) Package identification or serial number;
  - (2) Kind of spirits;
  - (3) Gross weight;
  - (4) Tare;
  - (5) Net weight;
  - (6) Proof gallons; and
  - (7) Proof.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8551, Mar. 1, 1985]

### **§250.165 Certificate of effective tax rate computation.**

- (a) Where distilled spirits of Puerto Rican manufacture which contain eligible wine or eligible flavors are to be tax determined for shipment to the United States or are to be shipped to the United States without payment of tax for transfer from customs custody to ATF bond, the consignor shall prepare a certificate of effective tax rate computation showing the:

- (1) The serial number of ATF Form 5110.31 or 5110.51;
  - (2) Elements necessary to compute the effective tax rate in accordance with §250.79a as follows--
    - (i) Proof gallons of distilled spirits (exclusive of distilled spirits derived from eligible flavors);
    - (ii) Wine gallons of each eligible wine and the percentage of alcohol by volume of each; and
    - (iii) Proof gallons of distilled spirits derived from each eligible flavor;
  - (3) Date of the statement of eligibility for each eligible flavor (see §250.50a).
  - (4) Effective tax rate applied to the product.
  - (5) Signature and title of the consignor.
- (b) If the spirits are tax determined for shipment to the United States, the proprietor shall retain the certificate for a period of not less than three years after the last tax determination to which the certificate is applicable. If the spirits are shipped to the United States for transfer from Customs custody to the bonded premises of a distilled spirits plant, the proprietor shall forward the original to the consignee distilled spirits plant in the United States and retain a copy for his files.

(Approved by Office of Management and Budget under control number 1512--0203)

(Sec. 201, Pub. L. 85-859, 72 Stat. 1366, as amended (26 U.S.C. 5232); Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18067, Apr. 30, 1990]

## **Subpart I--Claims for Drawback on Eligible Articles From Puerto Rico**

SOURCE: T.D. ATF-263, 52 FR 46594, Dec. 9, 1987, unless otherwise noted.

### **§250.170 Drawback of tax.**

Any person who brings eligible articles into the United States from Puerto Rico may claim drawback of the distilled spirits excise taxes paid on such articles as provided in this subpart.

### **§250.171 Special tax.**

Any person filing claim for drawback of tax on eligible articles brought into the United States from Puerto Rico shall pay special tax as required by 26 U.S.C. 5131. For purposes of special tax, subparts C and D of part 17 of this chapter shall apply as if the use and tax determination occurred in the United States at the time the article was brought into the United States and, each business location from which entry of eligible articles is caused or effected shall be treated as a place of manufacture. If special tax is paid for any such business location under part 197 of this chapter, as a place where nonbeverage products are manufactured for purposes of drawback, then no additional special tax need be paid for that location under this section.

[T.D. ATF-263, 52 FR 46594, Dec. 9, 1987, as amended by T.D. ATF-271, 53 FR 17559, May 17, 1988; T.D. ATF-379, 61 FR 31427, June 20, 1996]

## **§250.172 Bonds.**

### *(a) General.*

Persons bringing eligible articles into the United States from Puerto Rico and intending to file monthly claims for drawback under the provisions of this subpart shall obtain a bond on Form 5154.3. When the limit of liability under a bond given in less than the maximum amount has been reached, further drawback on monthly claims may be suspended until a strengthening or superseding bond in a sufficient amount has been furnished. For provisions relating to bonding requirements, subpart E of part 17 of this chapter is incorporated in this part, but references therein to a regional director (compliance) shall apply, for purposes of this part, to the Chief, Puerto Rico Operations.

### *(b) Approval required.*

No person bringing eligible articles into the United States from Puerto Rico may file monthly claims for drawback under the provisions of this subpart until bond on Form 5154.3 has been approved by the Chief, Puerto Rico Operations. Bonds approved by a regional director (compliance) prior to the effective date of this provision shall remain in effect.

T.D. ATF-379, 61 FR 31427, June 20, 1996]

## **§250.173 Claims for drawback.**

### *(a) General.*

Persons bringing eligible articles into the United States from Puerto Rico shall file claim for drawback on Form 2635 (5620.8) with the Chief, Puerto Rico Operations. Upon finding that the claimant has satisfied the requirements of this subpart, the regional director (compliance) shall allow the drawback of taxes at a rate of \$1 less than the lesser of \$10.50 a proof gallon or the rate specified in 26 U.S.C. 5001(a).

### *(b) Information on claims.*

The claim must set forth the following:

- (1) That the special tax has been paid;
- (2) That the eligible articles brought into the United States on which drawback is claimed are fully tax paid or tax-determined;
- (3) That the eligible articles on which drawback is claimed are nonbeverage products; and
- (4) That the eligible articles were manufactured in Puerto Rico in compliance with an approved formula in accordance with §250.51.

### *(c) Supporting data.*

Each claim shall be accompanied by supporting data as specified in this paragraph. ATF Form 5154.2, Supporting Data for Nonbeverage Drawback Claims, may be



used, or the claimant may use any suitable format that provides the following information:

- (1) The control number of the Special Tax Stamp and the tax year for which issued;
- (2) A description of each eligible article as follows:
  - (i) Name and type of each product;
  - (ii) Name and address of the manufacturer of each product;
  - (iii) Formula number;
  - (iv) Alcohol content of each product;
  - (v) Quantity of each product;
  - (vi) Proof gallons of distilled spirits contained in each product;
  - (vii) Date of entry of the eligible product into the United States, and
  - (viii) The serial number of each ATF Form 487-B (5170.7) covering such articles shipped to the United States.

(d) *Date of filing claim.*

Quarterly claims for drawback shall be filed with the Chief, Puerto Rico Operations, within the 6 months next succeeding the quarter in which the eligible products covered by the claim were brought into the United States. Monthly claims for drawback may be filed at any time after the end of the month in which the eligible products covered by the claim were brought into the United States, but must be filed not later than the close of the sixth month succeeding the quarter in which the eligible products were brought into the United States.

(Approved by the Office of Management and Budget under control number 1512-0494)

[T.D. ATF-263, 52 FR 46594, Dec. 9, 1987, as amended by T.D. ATF-271, 53 FR 17559, May 17, 1988; T.D. ATF-379, 61 FR 31427, June 20, 1996]

## **§250.174 Records.**

(a) *General.*

Every person intending to file claim for drawback on eligible articles brought into the United States from Puerto Rico shall keep permanent records of the data elements required by this section. Such records shall be maintained at the business premises for which the claim is filed and shall be available for inspection by any ATF officer during business hours.

(b) *Details of records.*

Each person intending to claim drawback on eligible articles brought into the United States shall maintain permanent records showing the following data:

- (1) The name, description, quantity, and formula number of each such article.



- (2) The alcohol content of each such article.
- (3) Name and address of the manufacturer and shipper, and date of entry into the United States.
- (4) Evidence of taxpayment of distilled spirits in accordance with paragraph (c) of this section.

(c) *Evidence of taxpayment of distilled spirits.*

All shipments of eligible articles from Puerto Rico to the United States shall be supported by the vendor's commercial invoice which must bear a certification as to taxpayment by the person who determined or paid the tax, and include the following information:

- (1) The name and address of vendor;
- (2) The number of the applicable invoice;
- (3) The serial or package identification number of the container;
- (4) Name, type, and formula number of the product;
- (5) The kind of spirits, proof, and proof gallons in the container; and
- (6) The serial number of each Form 487-B (5170.7) covering such articles shipped to the United States.

(d) *Form of record.*

No particular form of record is prescribed, but the data required to be shown shall be readily ascertainable from the records kept by the drawback claimant.

(e) *Retention of records.*

Each drawback claimant shall retain for a period of not less than three years all records required by this subpart, all commercial invoices or shipping documents, and all bills of lading received evidencing receipt and tax determination of the spirits. In addition, a copy of each approved formula returned to the manufacturer of eligible articles shall be retained for not less than three years from the date he files his last claim for drawback under the formula. The records, forms, and formulas shall be readily available during regular business hours for examination by ATF officers.

(Approved by the Office of Management and Budget under control number 1512-0494)

## **Subpart Ia--Shipment of Denatured Spirits and Products Made With Denatured Spirits to the United States From Puerto Rico**

SOURCE: T.D. ATF-199, 50 FR 9198, Mar. 1, 1985, unless otherwise noted.

### **§250.191 Notice of shipment.**

At least 5 business days before shipment, each proprietor of a distilled spirits plant in Puerto Rico who intends to ship denatured spirits to the United States in containers

larger than 5 gallons, and each person in Puerto Rico who intends to ship products made with denatured spirits to the United States in containers larger than 5 gallons shall notify the chemist of the Treasury of Puerto Rico of the intent to ship.

(Approved by the Office of Management and Budget under control number 1512-0336)

[T.D. ATF-199, 50 FR 9198, Mar. 1, 1985, T.D. ATF-199, 50 FR 20099, May 14, 1985]

### **§250.192 Samples and analysis.**

The chemist of the Treasury of Puerto Rico may take samples of the product to be shipped in order to determine that it is eligible for tax-free status.

### **§250.193 Notification of tax liability.**

(a) If the chemist of the Treasury of Puerto Rico finds that denatured spirits or products made with denatured spirits are not eligible for tax-free shipment, before the shipment is made, the chemist will immediately notify the shipper that the article is subject to tax, payable in accordance with §§250.107 through 250.110.

(b) If the chemist of the Treasury of Puerto Rico finds that denatured spirits or products made with denatured spirits are not eligible for tax-free shipment, after the shipment is made, the chemist will immediately notify the shipper that the tax shall be paid immediately in accordance with §250.113. The chemist will also notify the regional director (compliance) of the consignee's region.

### **§250.194 Detention of articles.**

(a) Upon receiving a notification in accordance with §250.193(b), the regional director (compliance) will detain the article in accordance with part 20 of this chapter or seize the article in accordance with part 72 of this chapter.

(b) After the shipper furnishes proof that the tax was paid in accordance with §250.113, the regional director (compliance) will release the article to the consignee.

## **Subpart Ib--Shipment of Bulk Distilled Spirits From Puerto Rico, Without Payment of Tax, for Transfer From Customs Custody to Internal Revenue Bond**

AUTHORITY: Sec. 3, Pub. L. 90-630, 82 Stat. 1328, as amended (26 U.S.C. 5232).

SOURCE: T.D. ATF-62, 44 FR 71714, Dec. 11, 1979, unless otherwise noted.

### **§250.196 General.**

Under the provisions of this subpart and §250.86, distilled spirits brought into the United States from Puerto Rico in bulk containers may be withdrawn by the proprietor of a distilled spirits plant from customs custody and transferred in such bulk containers or by pipeline to the bonded premises of his plant, without payment of the internal revenue tax, if any, imposed on such spirits by 26 U.S.C. 7652. Such spirits so withdrawn and transferred to a distilled spirits plant (a) may be redistilled or denatured only if of 185 degrees or more of proof; and (b) may be withdrawn from internal revenue bond for any purpose authorized by 26 U.S.C. chapter 51, in the same manner as domestic distilled spirits. Spirits transferred from customs custody to the bonded premises of a distilled

spirits plant under the provisions of this subpart shall be received and stored thereat, and withdrawn or transferred therefrom, subject to applicable provisions of part 19 of this chapter. The person operating the bonded premises of the distilled spirits plant to which spirits are transferred under the provisions of this subpart shall become liable for the tax on distilled spirits withdrawn from customs custody under 26 U.S.C. 5232, upon release of the spirits from customs custody and the person bringing the spirits into the United States shall thereupon be relieved of liability for the tax.

#### **§250.197 Furnishing formula to consignee.**

Prior to the first shipment, the person shipping the spirits to the United States shall furnish a reproduced copy of the approved formula covering such spirits to the regional director (compliance) of each region in which a consignee's distilled spirits plant is located, and to the proprietor of each distilled spirits plant to receive the spirits.

(Approved by the Office of Management and Budget under control number 1512-0204)

[T.D. ATF-198, 50 FR 8551, Mar. 1, 1985]

#### **§250.198 [Reserved]**

#### **§250.199 Application and permit to ship, ATF Form 5110.31.**

Before spirits of Puerto Rican manufacture may be shipped to the United States without payment of tax for withdrawal from customs custody and transfer to internal revenue bond, an application by the consignor on ATF Form 5110.31 for permit to ship must be approved by the Secretary. All copies of the application (original and five copies) shall be delivered to the revenue agent.

#### **§250.199a Action by revenue agent.**

##### **(a) *Gauge.***

Puerto Rican spirits to be withdrawn for shipment to the United States as provided in this subpart shall be gauged by the revenue agent prior to withdrawal from the consignor premises. The revenue agent shall record the quantity and proof of the spirits gauged on ATF Form 5110.31. If the spirits are in packages, the revenue agent shall prepare in sextuplicate a package gauge record according to §250.164a, attach the package gauge record to ATF Form 5110.31, and dispose of the form (and any attachments) according to the instructions thereon.

##### **(b) *Sealing bulk conveyances.***

When a shipment is made in a tank, van, or other bulk conveyance (other than barrels, drums, or similar packages that are not containerized), all openings affording access to the spirits shall be sealed by the Puerto Rican revenue agent in such manner as will prevent unauthorized removal of spirits without detection.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8551, Mar. 1, 1985]

#### **§250.199b Issuance and disposition of permit.**

When the Secretary receives an application on ATF Form 5110.31 and he finds that the

applicant is in compliance with law and regulations, he will execute the permit to ship on all copies of ATF Form 5110.31, retain one copy, and any accompanying package gauge record as provided in §250.164a, and return the remaining copies to the consignor who shall distribute them in accordance with the instructions on ATF Form 5110.31.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

### **§250.199c Action by carrier.**

The carrier of the spirits specified on the ATF Form 5110.31 shall, at the time of unloading at the port of arrival in the United States, segregate and arrange the containers of spirits of convenient customs examination and shall assume any expense incurred in connection therewith.

### **§250.199d Customs inspection and release.**

On receipt of a properly executed ATF Form 5110.31 from the consignor, the customs officer at the port of arrival in the United States shall inspect the corresponding shipment of spirits:

(a) If a shipment is in a bulk conveyance, and:

(1) The seals are intact, he shall release the shipment; or

(2) If the seals are broken, he shall, before release of the spirits, affix customs seals.

(b) If a shipment in packages does not arrive in a sealed conveyance, the packages shall be inspected, and if it appears that any package has sustained a loss, the package shall be weighed and its new gross weight shall be entered in contrasting color on the package gauge record attached to the related ATF Form 5110.31. The serial numbers of any seals affixed by the customs officers shall be reported on ATF Form 5110.31 under remarks with an explanation and description of any evidence of loss. After completing his inspection, the customs officer shall execute his certificate on each copy of ATF Form 5110.31 and show thereon any exceptions found at the time of his release for transfer of the spirits to internal revenue bond. Missing packages should be reported separately from packages which have sustained losses. The customs officer shall then release the spirits to the consignee's representative and distribute all forms in accordance with the instructions on ATF Form 5110.31.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

### **§250.199e [Reserved]**

### **§250.199f Consignee premises.**

(a) *General.*

When Puerto Rican spirits are received from customs custody under the provisions of this subpart, the consignee proprietor shall execute the certificate of receipt on

ATF Form 5110.31 and examine all containers for evidence of loss. If it appears that spirits were lost by theft or unusual event, the proprietor shall determine the quantity of spirits lost and report the loss according to 27 CFR 19.562.

(b) *Packages.*

Packages shall be received on bonded premises by the proprietor on the basis of the most recent official gauge.

(c) *Distribution of forms.*

The proprietor shall retain the original of ATF Form 5110.31 (and any attachments) and submit the copy of each to the regional director (compliance).

(Approved by the Office of Management and Budget under control numbers 1512-0200 and 1512-0250)

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

## **Subpart J--Products Coming Into the United States From the Virgin Islands**

### **§250.200 Taxable status.**

(a) Liquors coming into the United States from the Virgin Islands, except as provided in §250.201, are subject to a tax equal to the internal revenue tax imposed upon the production in the United States of like liquors. Articles coming into the United States from the Virgin Islands, except as provided in §250.201, are subject to tax on the liquors contained therein at the rates imposed in the United States on like liquors of domestic production.

(b) The excise taxes collected on distilled spirits and articles containing distilled spirits shall be deposited into the Treasury of the Virgin Islands only if at least 92 percent of the alcoholic content of such product is rum. The amount deposited into the Treasury of the Virgin Islands shall not exceed the lesser of \$10.50, or the rate imposed by 26 U.S.C. 5001(a)(1) (including adjustments to the effective tax rate under 26 U.S.C. 5010), on each proof gallon of such distilled spirits or article containing distilled spirits coming into the United States. Such excise tax payments to the Treasury of the Virgin Islands will be reduced by one percent and the estimated amount of refunds or credits, and may be further reduced by certain amounts deposited to the U.S. Treasury as miscellaneous receipts. The moneys so transferred and paid over shall constitute a separate fund in the Treasury of the Virgin Islands, and may be expended as the Virgin Islands legislature may determine.

(c) Except for products described in 26 U.S.C. 7652(c), no excise taxes shall be deposited into the Treasury of the Virgin Islands if an excise tax subsidy is provided by the Virgin Islands that is of a kind different from, or in an amount per value or volume of production greater than, any subsidy offered by the Virgin Islands to industries manufacturing products not subject to Federal excise tax.

(Sec. 2682, Pub. L. 98-369, 98 Stat. 494 (26 U.S.C. 7652))

[T.D. ATF-175, 49 FR 20804, May 16, 1984, as amended by T.D. ATF-206, 50 FR 15888, Apr. 23, 1985]

## **§250.201 Products exempt from tax.**

### **(a) *General.***

Industrial spirits, denatured spirits, and products made with denatured spirits in the Virgin Islands may be brought into the United States without incurring tax liability imposed by 26 U.S.C. 5001 or 7652.

### **(b) *Industrial spirits.***

A distiller of industrial spirits who qualifies under regulations issued by the Governor of the Virgin Islands may ship industrial spirits to a tax-free alcohol user in the United States who holds a permit under part 22 of this chapter. Shipments shall be made in accordance with the requirements of subpart O of this part.

### **(c) *Denatured spirits.***

A distiller who qualifies under the regulations issued by the Governor of the Virgin Islands and who denatures spirits in accordance with part 21 of this chapter may ship (1) completely denatured alcohol to anyone in the United States, and/or (2) specially denatured spirits to a dealer or user of specially denatured spirits in the United States or Puerto Rico who holds a permit under part 20 of this chapter. Shipments shall be made in accordance with the requirements of subpart O of this part.

### **(d) *Products made with denatured spirits.***

A person in the Virgin Islands who manufactures products with completely denatured alcohol or specially denatured spirits in accordance with the requirements of part 20 of this chapter and regulations issued by the Governor of the Virgin Islands may ship those products to the United States in accordance with the requirements of subpart O of this part.

[T.D. ATF-199, 50 FR 9199, Mar. 6, 1985]

## **§250.201a Production in the Virgin Islands for tax-free shipment to the United States.**

### **(a) *Authority of the Governor to issue regulations.***

The Governor of the Virgin Islands, or his duly authorized agents, are authorized to issue or adopt such regulations (and to approve such bonds, and to issue, suspend, or revoke such permits, as may be required by such regulations) as are necessary to insure that:

- (1) Industrial spirits produced or manufactured in the Virgin Islands and shipped to the United States free of tax for the purposes authorized in 26 U.S.C. 5214(a)(2) and (3);
- (2) Denatured spirits manufactured in the Virgin Islands for shipment to the United States free of tax, and
- (3) Products manufactured in the Virgin Islands with denatured spirits, for shipment to the United States free of tax, conform in all respects to the requirements of law and this chapter imposed on like products of domestic

manufacture.

(b) *Law and regulations applicable.*

Regulations having been issued by the Governor of the Virgin Islands and concurred in by the Secretary of the Treasury of the United States to govern the production, warehousing, and denaturation of spirits and the use of denatured spirits in the manufacture of products for shipment to the United States free of tax, such regulations are applicable in the Virgin Islands and the Virgin Islands are hereby exempted from

(1) All provisions of 26 U.S.C. chapter 51, with the exception of 26 U.S.C. 5314(b) and 5687; and

(2) The provisions of this chapter in respect of the production, bonded warehousing, denaturation, and withdrawal of distilled spirits and the use of denatured spirits in the United States:

*Provided*, That such exemption shall be effective only to the extent that any amendments or revisions of the regulations issued by the Governor of the Virgin Islands, or his duly authorized agents, are concurred in by the Secretary of the Treasury of the United States or his delegate. Otherwise, all provisions of law as provided in 26 U.S.C. 5314(b), and the provisions of this chapter in respect of the production, bonded warehousing, denaturation, and withdrawal from bond of distilled spirits and denatured spirits and the use of denatured spirits in the manufacture of products shall extend to and apply in the Virgin Islands (i) in respect of the production, bonded warehousing, and withdrawal of spirits for shipment to the United States free of tax for the purposes authorized in 26 U.S.C. 5214(a)(2) and (3), and (ii) in respect of the production, bonded warehousing, and denaturation of spirits, and to the withdrawal and use of denatured spirits, where the denatured spirits or products containing denatured spirits are to be shipped to the United States free of tax.

[T.D. 6402, 24 FR 6090, July 30, 1959. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-48, 44 FR 55853, Sept. 28, 1979; T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

**§250.201b [Reserved]**

**§250.201c Shipments of bulk distilled spirits to the United States without payment of tax.**

Bulk distilled spirits may be brought into the United States from the Virgin Islands without payment of tax for transfer from customs custody to the bonded premises of a distilled spirits plant qualified under Part 19 of this chapter. Such shipments are subject to the provisions of Subpart Oa.

[T.D. ATF-62, 44 FR 71715, Dec. 11, 1979]

**§250.202 Requirements of the Federal Alcohol Administration Act.**

Every person, except an agency of a State or a political subdivision thereof or any officer or employee of any such agency, bringing liquors into the United States from the Virgin Islands for nonindustrial use must obtain an importer's basic permit therefor and file with the district director of customs at the port of entry a certified or photostatic copy thereof, and every person and any agency of a State or political subdivision thereof or any officer



or employee of such agency, bringing liquors into the United States from the Virgin Islands for nonindustrial use must file with the district director of customs at the port of entry a certificate of label approval, in accordance with the requirements of the Federal Alcohol Administration Act and regulations issued pursuant thereto. Tourists bringing liquors into the United States for personal or other noncommercial use are not subject to the provisions of the Federal Alcohol Administration Act or regulations issued pursuant thereto. (Parts 1, 4, 5, and 7 of this chapter)

(Secs. 3, 5, 49 Stat. 978, as amended, 981, as amended; 27 U.S.C. 203, 205)

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2249, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

### **§250.203 Containers of 1 gallon (3.785 liters) or less.**

Containers of distilled spirits brought into the United States from the Virgin Islands, having a capacity of not more than 1 gallon (3.785 liters), shall conform to the requirements of subpart P of this part.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1374 (26 U.S.C. 5301))

[T.D. ATF-34, 41 FR 46864, Oct. 26, 1976]

### **§250.203a Containers in excess of 1 gallon (3.785 liters).**

Containers of distilled spirits brought into the United States from the Virgin Islands, having a capacity in excess of 1 gallon (3.785 liters), are required to be marked in accordance with customs regulations (19 CFR chapter I).

[T.D. 6695, 28 FR 12936, Dec. 5, 1963. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-34, 41 FR 46864, Oct. 26, 1976; T.D. ATF-206, 50 FR 23955, June 7, 1985]

### **§250.204 Regauge.**

Distilled spirits withdrawn from insular bonded warehouses for shipment to the United States may be gauged at the time of withdrawal by an insular gauger. When such gauges are made, a record of gauge shall be prepared by the insular gauger showing the name of the distiller; and the serial number, the proof of the spirits, and the wine and proof gallon contents of each package gauged. The report of gauge shall be attached to the certificate prescribed in §250.205.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8552, Mar. 1 1985]

### **§250.204a Verification of eligible wines and eligible flavors.**

(a) Any person who, after December 1, 1990, brings into the United States from the Virgin Islands any distilled spirits on which the tax is to be paid or determined at an effective tax rate based in part on the alcohol content derived from eligible flavors or eligible wines shall, before the first tax determination at that rate, request and receive a statement of eligibility for each wine or flavor to be used in the computation of the effective tax rate.

(b) To receive a statement of eligibility, the person bringing in the distilled spirits shall



submit to the ATF National Laboratory, 1401 Research Boulevard, Rockville, MD 20850, the following:

- (1) An 8-ounce sample of each distilled spirits, wine and flavor used in the product;
- (2) A statement of composition of each flavor, listing--
  - (i) The name and percentage of alcohol by volume of the flavor; and
  - (ii) The name and quantity of each ingredient used in the manufacture of the flavor; and
- (3) A statement of the kind and alcoholic content of each wine.

(Approved by Office of Management and Budget under control number 1512-0352)

(Act of August 16, 1954, Pub. L. 591, 68A Stat. 907, as amended (26 U.S.C. 7652); Sec. 201, Pub. L. 85-859, 72 Stat. 1314, as amended (26 U.S.C. 5001); Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18067, Apr. 30, 1990]

### **§250.205 Certificate.**

(a) Every person bringing liquors or articles under this part into the United States from the Virgin Islands, except tourists, shall obtain a certificate in the English language from the manufacturer for each shipment showing the following information:

- (1) The name and address of the consignee.
- (2) The kind and brand name.
- (3) The quantity thereof as follows--
  - (i) If distilled spirits, the proof gallons or liters and degree of proof;
  - (ii) If wine, the taxable grade and wine gallons;
  - (iii) If beer, the gallons (liquid measure) and the percentage of alcohol by volume; and
  - (iv) If articles, the kind, quantity, and proof of the liquors used therein.
- (4) For liquors manufactured under a formula--
  - (i) The number and date of the approved formula;
  - (ii) A declaration that the liquors have been manufactured in accordance with the approved formula; and
  - (iii) The name and address of the person filing the formula.
- (5) The name and address of the producer.
- (6) For liquors and articles containing liquors produced outside of the Virgin Islands, the country of origin for each such liquor.

(7) For distilled spirits, a certification by the insular gauger as to whether they were regauged when withdrawn from the insular bonded warehouse and, if regauged, whether they were at the time of withdrawal at the proof indicated on the attached record of gauge.

(8) For distilled spirits which contain eligible wine or eligible flavors, the effective tax rate applied to the product and the elements necessary to compute the effective tax rate in accordance with §250.262a as follows--

(i) Proof gallons of distilled spirits (exclusive of distilled spirits derived from eligible flavors);

(ii) Wine gallons of each eligible wine and the percentage of alcohol by volume of each;

(iii) Proof gallons of distilled spirits derived from eligible flavors; and

(iv) On or after December 1, 1990, the name of the manufacturer, formula number from ATF F 5530.5 (1678) or 5150.19 and date of approval or the date of the statement of eligibility for each eligible flavor (See §250.204a); and

(v) After December 1, 1990, the date of the statement of eligibility for each eligible wine.

(b) The person bringing the liquors or articles into the United States shall file the certificate and record of gauge with the district director of customs at the port of entry, at the time of entry summary, as provided in §§250.260 and 250.302.

(Approved by the Office of Management and Budget under control number 1512-0352.)

(Sec. 201, Pub. L. 85-859, 72 Stat. 1366, as amended (26 U.S.C. 5232); Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18067, Apr. 30, 1990]

### **§250.206 Marking packages and cases.**

The distiller, rectifier, or bottler shall serially number each case, barrel, cask, or similar container of distilled spirits filled for shipment to the United States. In addition to the serial number of the container, the distiller, rectifier, or bottler shall plainly print, stamp, or stencil with durable coloring material, in letters and figures not less than one-half inch high, on the head of each barrel, cask or similar container or on one side of each case, as follows:

(a) The name of the manufacturer;

(b) The brand name and kind of liquor; and

(c) The wine and proof gallon contents; or, for bottles filed according to the metric standards of fill prescribed by §5.47a, of this chapter, the contents in liters and the proof of the spirits.

[T.D. ATF-43, 42 FR 30836, June 17, 1977]

### **§250.207 Destruction of marks and brands.**

The marks, brands, and serial numbers required by this part to be placed on barrels, casks, or similar containers, or cases, shall not be removed, obscured or obliterated before the contents thereof have been removed.

[T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

### **§250.209 Samples.**

The Director may require samples of liquors and articles to be submitted whenever desired for laboratory analyses in order to determine the rate of tax applicable thereto.

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2250, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

## **SPECIAL (OCCUPATIONAL) TAXES**

### **§250.210 Liquor dealer's special taxes.**

Every person bringing liquors into the United States from the Virgin Islands, who sells, or offers for sale, such liquors shall file Form 5630.5 with ATF in accordance with the instruction on the form, and pay special occupational tax as a wholesale dealer in liquor or as a retail dealer in liquor, in accordance with the laws and regulations governing the payment of such special taxes (part 194 of this chapter).

(Sec. 201, Pub. L. 85-859, 72 Stat. 1340 as amended, 1343 as amended, 1344 as amended (26 U.S.C. 5111, 5112, 5121, 5122))

[T.D. ATF-70, 45 FR 33981, May, 21, 1980, as amended by T.D. ATF-251, 52 FR 19339, May 22, 1987]

### **§250.211 Warehouse receipts covering distilled spirits.**

Since the sale of warehouse receipts for distilled spirits is equivalent to the sale of distilled spirits, every person bringing distilled spirits into the United States from the Virgin Islands, who sells, or offers for sale, warehouse receipts for distilled spirits stored in warehouses, or elsewhere, incurs liability to special tax as a dealer in liquors at the place where such warehouse receipts are sold, or offered for sale, and must file return and pay occupational tax as provided in §250.210.

(68A Stat. 618, 620, 621; 26 U.S.C. 5111, 5112, 5121, 5122)

## **Subpart K--Formulas for Products From the Virgin Islands**

SOURCE: T.D. ATF-62, 44 FR 71715, Dec. 11, 1979, unless otherwise noted.

### **§250.220 Formulas for liquors.**

#### **(a) *Distilled spirits products.***

Persons in the Virgin Islands who ship distilled spirits beverage products to the United States shall comply with the formula requirements of part 5 of this chapter. If any product contains liquors made outside of Virgin Islands, the country of origin for each such liquor shall be stated on the formula. All formulas required by this paragraph shall be submitted on ATF Form 5110.38, in accordance with §250.224.

#### **(b) *Wine.***

Persons in the Virgin Islands who ship wine to the United States shall comply with the formula requirements of part 240 of this chapter. If any wines contains liquors made outside of the Virgin Islands, the country of origin for each such liquor shall be stated on the formula. All formulas required by this paragraph shall be submitted on ATF Form 698 Supplemental, in accordance with §250.224.

[T.D. ATF-62, 44 FR 71715, Dec. 11, 1979, as amended by T.D. ATF-198, 50 FR 8552, Mar. 1, 1985]

### **§250.221 Formulas for articles, eligible articles and products manufactured with denatured spirits.**

#### **(a) *Formulas for articles and eligible articles.***

Formulas for articles made with distilled spirits must show the quantity and proof of the distilled spirits used, and the percentage of alcohol by volume contained in the finished product. Formulas for articles made with beer or wine must show the kind and quantity thereof (liquid measure), and the percent of alcohol by volume of such beer or wine. Formulas and samples for eligible articles are required in accordance with subpart F of part 17 of this chapter.

#### **(b) *Formulas for products manufactured with denatured spirits.***

Products manufactured with denatured spirits shall be manufactured in accordance with the formula requirements of part 20 of this chapter for similar products made in the United States.

(1) Products may be made with completely denatured alcohol for sale under brand names under part 20 of this chapter without obtaining an approved formula. If ingredients are added in sufficient quantities to materially change the composition and character of the completely denatured alcohol, the product is not classified as completely denatured alcohol and may not be marked, branded, or sold as completely denatured alcohol.

(2) Products made with specially denatured spirits shall be made in accordance with (i) a general-use formula approved as provided in part 20 of this chapter, or (ii) an approved formula on Form 5150.19, or previously approved on ATF Form 1479-A or 27-B Supplemental.

#### **(c) *Formulas required.***

Formulas required by this section shall be submitted on Form 5150.19, except that formulas for eligible articles shall be submitted on Form 5154.1 (formerly 1678). Formulas shall be submitted in accordance with §250.224. Any formula for an eligible article approved on Form 5150.19 prior to October 23, 1986, shall continue to be valid until revoked or voluntarily surrendered. Any person holding such a formula is not required to submit a new formula.

(Approved by the Office of Management and Budget under control number 1512-0494)

[T.D. ATF-62, 44 FR 71715, Dec. 11, 1979, as amended by T.D. ATF-199, 50 FR 9199, Mar. 6, 1985; T.D. ATF-263, 52 FR 46595, Dec. 9, 1987; T.D. ATF-379, 61 FR 31427, June 20, 1996]

### **§250.222 Still wines containing carbon dioxide.**

#### **(a) *General.***

Still wines may contain not more than 0.392 gram of carbon dioxide per 100 milliliters of wine; except that a tolerance to this maximum limitation, not to exceed 0.009 gram of carbon dioxide per 100 milliliters of wine, will be allowed where the amount of carbon dioxide in excess of 0.392 gram per 100 milliliters of wine was due to mechanical variations which could not be completely controlled under good commercial practices. Such tolerance will not be allowed where it is found that the limitation of 0.392 gram of carbon dioxide per 100 milliliters of wine is continuously or intentionally exceeded, or where the variation results from the use of methods or equipment not in accord with good commercial practices.

(b) *Notice required.*

Proprietors intending to add carbon dioxide to, or retain carbon dioxide in, still wines to be shipped to the United States shall submit a notice to the Chief, Puerto Rican Operations. The notice shall show the name and address of the proprietor and shall identify the method or process, the kinds (class and type) of wine, and the type of equipment to be used. A corrected notice shall be filed if there is any change (except for minor changes) in the information contained in the notice.

(c) *Filing and disposition of notice.*

The notice required by paragraph (b) of this section shall be submitted in triplicate to the Chief, Puerto Rican Operations, who shall retain one copy, forward one copy to the Commissioner of Finance of the Virgin Islands, and return one copy to the proprietor. The proprietor shall keep the notice available for examination by insular agents.

(Approved by the Office of Management and Budget under control number 1512-0352)

(Sec. 201, Pub. L. 85-859, 72 Stat. 1331, as amended (26 U.S.C 5041))

[T.D. ATF-62, 44 FR 71715, Dec. 11, 1979, as amended by T.D. ATF-172, 49 FR 14943, Apr. 16, 1984]

### **§250.223 Changes of formulas.**

Any change in the ingredients composing a product covered by an approved formula will necessitate the submission of a new formula.

### **§250.224 Filing and disposition of formulas.**

Prior to shipment formulas required by this subpart shall be submitted in triplicate to and approved by the Director. The Director shall retain one copy, forward one copy to the Commissioner of Finance of the Virgin Islands, and return one copy to the applicant. The applicant shall maintain copies of approved formulas available for examination by insular agents.

### **§250.225 Previously approved formulas.**

Any formula approved on Form 27-B Supplemental prior to January 1, 1980, shall continue to be valid until revoked or voluntarily surrendered. Any person holding such a formula is not required to submit a new formula. If an approved formula on Form 27-B Supplemental indicates that carbon dioxide will be added to, or retained in, still wine, the notice requirement of §250.222 shall not apply.

## **Subpart L--Closures for Distilled Spirits From the Virgin Islands**

### **General**

#### **§250.230 Containers of distilled spirits to bear closures.**

Containers of 1 gallon (3.785 liters) or less of distilled spirits, upon which all Federal internal revenue taxes have been paid or determined under provisions of this part, shall have closures or other devices affixed in accordance with the provisions of this part.

(Sec. 454, Pub. L. 98-369, 98 Stat. 494 (26 U.S.C. 5301))

[T.D. ATF-206, 50 FR 23955, June 7, 1985]

#### **§250.231 Affixing closures.**

Closures or other devices shall be securely affixed to containers having capacity of 1 gallon (3.785 liters) or less so as to leave a portion remaining on the container when it is opened. In addition, the closures or other devices shall be constructed in such a manner as to require that they be broken to gain access to the contents of the containers.

(Sec. 454, Pub. L. 98-369, 98 Stat. 494 (26 U.S.C. 5301))

[T.D. ATF-206, 50 FR 23955, June 7, 1985]

## **Subpart M--Procedure at Port of Entry From the Virgin Islands**

#### **§250.260 Certificate.**

Persons (except tourists) bringing liquors or articles from the Virgin Islands into the United States shall file the certificate provided for in §250.205 with the district director of customs at the port of entry in the United States.

[T.D. ATF-62, 44 FR 71716, Dec. 11, 1979]

#### **§250.261 Action by district director of customs.**

The district director of customs will direct the proper customs gauger to determine the taxable quantity of liquors contained in the consignment by regauge or inspection and report the result thereof to the district director of customs. Upon receipt of such report the district director of customs will refer to the certificate required by §250.205 covering the product to determine the rate of internal revenue tax applicable thereto. When the rate of tax applicable to the product has been ascertained, the tax due on the consignment will be determined according to §§250.262 through 250.265.

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2249, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

#### **§250.262 Determination of tax on distilled spirits.**

(a) If the certificate required by §250.205 covers distilled spirits, and the distilled

spirits are not being transferred under subparts 0 or 0a of this part, the tax imposed by 26 U.S.C. 7652 which provides for a tax equal to the tax imposed by 26 U.S.C. 5001 will be collected on each proof gallon, and fractional part thereof, contained in the shipment.

(b) A credit against the tax imposed on distilled spirits by 26 U.S.C. 7652 is allowable under 26 U.S.C. 5010 on each proof gallon of alcohol derived from eligible wine or from eligible flavors which do not exceed 2 ½ percent of the finished product on a proof gallon basis. The credit is allowable at the time the tax is payable as if it constituted a reduction in the rate of tax.

(c) Where credit against the tax is desired, the person liable for the tax shall establish an effective tax rate in accordance with §250.262a. The effective tax rate established will be applied to each withdrawal or other disposition of the distilled spirits within the United States.

(Approved by the Office of Management and Budget under control number 1512-0352)

(Sec. 201, Pub. L. 85-859, 72 Stat. 1356, as amended (26 U.S.C. 5201); Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010), Act of August 16, 1954, Pub. L. 591, 68A Stat. 907, as amended (26 U.S.C. 7652))

[T.D. ATF-297, 55 FR 18068, Apr. 30, 1990]

### **§250.262a Computation of effective tax rate.**

(a) The proprietor shall compute the effective tax rate for distilled spirits containing eligible wine or eligible flavors as the ratio of the numerator and denominator as follows:

(1) The numerator will be the sum of:

(i) The proof gallons of all distilled spirits used in the product (exclusive of distilled spirits derived from eligible flavors), multiplied by the tax rate prescribed by 26 U.S.C. 5001;

(ii) The wine gallons of each eligible wine used in the product, multiplied by the tax rate prescribed by 26 U.S.C. 5041(b) (1), (2), or (3), as applicable; and

(iii) The proof gallons of all distilled spirits derived from eligible flavors used in the product, multiplied by the tax rate prescribed by 26 U.S.C. 5001, but only to the extent that such distilled spirits exceed 2½% of the denominator prescribed in paragraph (a)(2) of this section.

(2) The denominator will be the sum of:

(i) The proof gallons of all distilled spirits used in the product, including distilled spirits derived from eligible flavors; and

(ii) The wine gallons of each eligible wine used in the product, multiplied by twice the percentage of alcohol by volume of each, divided by 100.

(b) In determining the effective tax rate, quantities of distilled spirits, eligible wine, and eligible flavors will be expressed to the nearest tenth of a proof gallon. The effective tax rate may be rounded to as many decimal places as the proprietor



deems appropriate, provided that, such rate is expressed no less exactly than the rate rounded to the nearest whole cent, and the effective tax rates for all products will be consistently expressed to the same number of decimal places. In such case, if the number is less than five it will be dropped; if it is five or over, a unit will be added.

(c) The following is an example of the use of the formula.

of the formula.

BATCH RECORD		
Distilled spirits .....	2249.1 proof gallons.	
Eligible wine (14% alcohol by volume).	2265.0 wine gallons.	
Eligible wine (19% alcohol by volume).	1020.0 wine gallons.	
Eligible flavors .....	100.9 proof gallons.	
2249.1(\$13.50)+2265.0(\$1.07)+1020(\$1.57)+16.6 <sup>1</sup> (\$13.50)		=
		\$30,362.85+\$2,423.55+\$1,6
2249.1+100.9+(2265.0x.28)+(1020.0x.38)		2,3
		50.
		0+6
		34.
		2+3
		87.
		6
<hr/>		
\$34,611.90	=	\$10.27, the effective tax rate
\$3,371.8		

<sup>1</sup>Proof gallons by which distilled spirits derived from eligible flavors exceed 2½% of the total proof gallons in the batch (100.9-(2½%)x3,371.8=16.6).

(Approved by the Office of Management and Budget under control number 1512-0352)

(Sec. 6, Pub. L. 96-598, 94 Stat. 3488, as amended (26 U.S.C. 5010))

[T.D. ATF-297, 55 FR 18068, Apr. 30, 1990, as amended by T.D. ATF-307, 55 FR 52741, Dec. 21, 1990]

### **§250.263 Determination of tax on beer.**

If the certificate prescribed in §250.205 covers beer, the beer tax will be collected on the basis of the number of barrels of 31 gallons each, or fractional parts thereof, contained in the shipment.

(68A Stat. 611, as amended; 26 U.S.C. 5051)

### **§250.264 Determination of tax on wine.**

If the certificate prescribed in §250.205 covers wine, the wine tax will be collected at the rates imposed by section 5041, Internal Revenue Code, as amended.

(68A Stat. 609, as amended; 26 U.S.C. 5041)

### **§250.265 Determination of tax on articles.**

Where articles contain distilled spirits, the tax will be collected at the rate prescribed by 26 U.S.C. 5001(a)(1) on all alcohol contained therein, regardless of the source. Articles containing only wine and/or beer will be taxed at the rates prescribed by 26 U.S.C. 5041 and/or 5051, respectively. The quantities and kinds of liquors will be shown on the certificate prescribed in §250.205.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1314, as amended (26 U.S.C. 5001, 5007))

[T.D. ATF-62, 44 FR 71717, Dec. 11, 1979]

### **§250.266 Tax payment.**

The internal revenue tax on liquors (except spirits transferred under subparts O or Oa of this part) and articles coming into the United States from the Virgin Islands shall be paid to the district director of customs at the port of entry, as provided by customs regulations. (19 CFR Ch. I)

[20 FR 6077, Aug. 20, 1955, as amended by T.D. 7006, 34 FR 2249, Feb. 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-198, 50 FR 8554, Mar. 1, 1985]

### **§250.267 Payment of tax by electronic fund transfer.**

(a) Each person bringing liquors and articles into the United States from the Virgin Islands who was liable, during a calendar year, for a gross amount equal to or exceeding five million dollars in distilled spirits taxes combining tax liabilities incurred under this part and parts 19 and 251 of this chapter, a gross amount equal to or exceeding five million dollars in wine taxes combining tax liabilities incurred under this part and parts 240 and 251 of this chapter, or a gross amount equal to or exceeding five million dollars in beer taxes combining tax liabilities incurred under this part and parts 25 and 251 of this chapter, shall use a commercial bank in making payment by electronic fund transfer (EFT), as defined in paragraph (c) of this section, of such taxes during the succeeding calendar year. Payment of such taxes by cash, check, or money order is not authorized for a person bringing liquors and articles into the United States from the Virgin Islands who is required, by this section, to make remittances by EFT. For purposes of this section, the dollar amount of tax liability is to be summarized separately for distilled spirits taxes, wine taxes, or beer taxes, and is defined as the gross tax liability on all taxable withdrawals from premises in the United States and importations (including products of the same tax class brought into the United States from Puerto Rico or the Virgin Islands) during the calendar year, without regard to any drawbacks, credits, or refunds, for all premises from which such activities are conducted.

(b) For the purposes of this section, a "person" includes a controlled group of corporations, as defined in 26 U.S.C. 1563, and implementing regulations in 26 CFR 1.1563-1 through 1.1563-4, except that the words "at least 80 percent" shall be replaced by the words "more than 50 percent" in each place it appears in subsection (a) of 26 U.S.C. 1563, as well as in the implementing regulations. Also, the rules for a "controlled group of corporations" apply in a similar fashion to groups which include partnerships and/or sole proprietorships. If one entity maintains more than 50% control over a group consisting of corporations and one, or more, partnerships and/or sole proprietorships, all of the members of the controlled group are one person for the purpose of determining who is required to make remittances by EFT.

(c) Electronic fund transfer or EFT means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, or computer of magnetic tape, so as to order, instruct, or authorize a financial institution to either debit or credit an account, in accordance with procedures established by the U.S. Customs Service.

(d) Each person who is required by this section to make remittances by EFT shall

make the EFT remittance in accordance with the requirements of the U.S. Customs Service.

(Approved by the Office of Management and Budget under Control Number 1512-0457)

(Act of August 16, 1954, 68A Stat. 775, as amended (26 U.S.C. 6302); Sec. 201, Pub. L. 85-859, 72 Stat. 1335, as amended (26 U.S.C. 5061))

[T.D. ATF-245, 52 FR 532, Jan. 7, 1987]

## **Subpart N--Records and Reports of Liquors From the Virgin Islands**

### **Record and Report of Liquors Brought Into the United States**

#### **§250.272 General requirements.**

Except as provided in §250.273, every person, other than a tourist, bringing liquors into the United States from the Virgin Islands shall keep such records and render reports of the physical receipt and disposition of such liquors as are required to be kept by a wholesale or retail dealer, as applicable, under the provisions of part 194 of this chapter. Any importer who is responsible for release of the liquors from customs custody and who does not take physical possession of the liquors shall keep commercial records reflecting such release; such records shall identify the kind and quantity of the liquors released, the name and address of the person receiving the liquors from customs custody, and shall be filed chronologically by release dates. Records and reports will not be required under this part with respect of liquors while in customs custody.

(Approved by the Office of Management and Budget under control number 1512-0352)

(72 Stat. 1342, 1345; 26 U.S.C. 5114, 5124)

[T.D. ATF-2, 37 FR 22739, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-172, 49 FR 14943, Apr. 16, 1984]

#### **§250.273 Proprietors of taxpaid premises.**

Transactions involving the bringing of liquors into the United States from the Virgin Islands by proprietors of distilled spirits plants in the United States qualified under the provisions of this chapter shall be recorded and reported in accordance with the regulations governing the operations of such premises in the United States.

[T.D. 6478, 25 FR 6203, July 1, 1960. Redesignated at 40 FR 16835, Apr. 15, 1975]

#### **§250.273a Transfer record.**

The transfer record for Virgin Islands spirits prescribed in §250.301 shall show the:

- (a) Date prepared;
- (b) Serial number of the transfer record, beginning with "1" each January 1;
- (c) Name of the proprietor and distilled spirits plant number to which consigned;
- (d) Name and address of the consignor;
- (e) Kind of spirits;

- (f) Name of the producer;
- (g) Age (in years, months and days) of the spirits;
- (h) Proof of the spirits;
- (i) Type and serial number of containers; and
- (j) Proof gallons of spirits in the shipment.

(Approved by the Office of Management and Budget under control number 1512-0250)

(Sec. 807, Pub. L. 96-39, 93 Stat. 284 (26 U.S.C. 5207))

[T.D. ATF-198, 50 FR 8554, Mar. 1, 1985]

### **§250.273b Package gauge record.**

When required in this part with respect to Virgin Islands spirits, a package gauge record shall be prepared to show:

- (a) The date prepared;
- (b) The related transaction record and its serial number;
- (c) The producer, his name and address; and
- (d) For each package, the:
  - (1) Package identification or serial number;
  - (2) Kind of spirits;
  - (3) Gross weight;
  - (4) Tare;
  - (5) Net weight;
  - (6) Proof gallons; and
  - (7) Proof.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8554, Mar. 1, 1985]

## **FILING AND RETENTION OF RECORDS AND REPORTS**

### **§250.275 Filing.**

- (a) All records and reports required by this part will be maintained separately, by transaction or reporting date, at the importer's place of business. The regional director (compliance) may, pursuant to an application, authorize files, or an individual file, to be maintained at another business location under the control of the importer, if the alternative location does not cause undue inconvenience to ATF or Customs officers desiring to examine the files or delay in the timely submission of documents.
- (b) If an importer conducts wholesale operations, one legible copy of each required

record of receipt and disposition shall be filed not later than one business day following the date of transaction.

(c) If an importer conducts only retail operations, either loose-leaf or book records may be maintained for the daily receipt of liquors which contain all the required information.

(d) Supporting documents, such as consignors' invoices, delivery receipts, bills of lading, etc., or exact copies of the same, may be filed in accordance with the importer's regular accounting and recordkeeping practices.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1342, as amended, 1395, as amended (26 U.S.C. 5114, 5555))

[T.D. ATF-116, 47 FR 51573, Nov. 16, 1982]

### **§250.276 Retention.**

All records required by this part, documents or copies of documents supporting these records, and file copies of reports required by this part to be submitted to the regional director (compliance) or to the district director of customs shall be retained for not less than three years, and during this period shall be available, during business hours, for inspection and copying by ATF or customs officers. Furthermore, the regional director (compliance) may require these records to be kept for an additional period of not more than three years in any case where he determines retention necessary or advisable. Any records, or copies thereof, containing any of the information required by this part to be prepared, wherever kept, shall also be made available for inspection and copying.

(68A Stat. 731 (26 U.S.C. 6001); Sec. 201, Pub. L. 85-859, 72 Stat. 1342, 1345, 1348, 1361, 1395 (26 U.S.C. 5114, 5124, 5146, 5207, 5555))

[T.D. ATF-50, 43 FR 20494, May 12, 1978]

## **REPORT OF DISPOSITION OF RED STRIP STAMPS ON DISCONTINUANCE OF BUSINESS**

### **§250.277 Procedure.**

The importer who discontinues or sells his business shall recall from his agents, and his bottlers or exporters in the Virgin Islands, all unused stamps in their custody. He shall submit his entire stock of unused stamps, accompanied by a report, in duplicate, of inventory, by size and quantity, to the regional director (compliance). The same procedure may be followed by an importer who has unused stamps for which he has no further use for any reason. The regional director (compliance) shall then destroy the stamps and, after such destruction, note the action taken on both copies of the inventory. He shall retain the original and return the copy of the inventory to the importer. In the case of discontinuance or sale of the business, the importer shall, within 5 days of the receipt of the returned copy of the inventory, note the disposition of the stamps on Form 96, mark the report "Final", and submit it to the regional director (compliance).

(72 Stat. 1358; 26 U.S.C. 5205)

[T.D. ATF-2, 37 FR 22739, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975]

## **Subpart O--Tax-Free Shipments to the United States From the Virgin Islands**

SOURCE: T.D. ATF-199, 50 FR 9199, Mar. 6, 1985, unless otherwise noted.

### **§250.291 General.**

(a) Industrial spirits may be shipped into the United States to the holder of a permit under part 22 of this chapter, in accordance with §250.292 through 250.294 and regulations issued by the Governor of the Virgin Islands.

(b)(1) Specially denatured spirits may be shipped into the United States to the holder of a permit under part 20 of this chapter, in accordance with §§250.292 through 250.294 and regulations issued by the Governor of the Virgin Islands.

(2) Completely denatured alcohol may be shipped to anyone in the United States in accordance with §§250.295 through 250.296 and regulations issued by the Governor of the Virgin Islands.

(3) Denatured spirits shall be denatured in accordance with part 21 of this chapter and regulations issued by the Governor of the Virgin Islands.

(c) Products made with denatured spirits may be shipped to anyone in the United States in accordance with §§250.295 through 250.296 and regulations issued by the Governor of the Virgin Islands. These products are also subject to the requirements of §250.221 of this part.

### **Shipment of Industrial Spirits and Specially Denatured Spirits**

### **§250.292 Copy of consignee's permit under part 20 or 22.**

The consignor or consignee shall file a copy of the consignee's permit issued under part 20 of this chapter (for shipments of specially denatured spirits) or part 22 of this chapter (for shipments of industrial spirits) with the district director of customs of the port of entry. The copy of the permit shall be adequate evidence that the consignee is authorized to enter industrial spirits or specially denatured spirits free of tax.

### **§250.293 Marks on containers.**

#### **(a) *Industrial spirits.***

The shipper shall mark or label each immediate container of industrial spirits with the following information:

- (1) The name or trade name of the distiller or shipper;
- (2) The words "Virgin Islands Industrial Spirits";
- (3) A package identification number as required by subpart R of part 19 of this chapter;
- (4) The date filled;
- (5) Proof; and
- (6) Quantity in proof gallons.

#### **(b) *Specially denatured spirits.***

The shipper shall mark or label each immediate container of specially denatured

spirits with the following information:

- (1) Quantity, in gallons, or in liters and gallons;
- (2) A serial number or package identification number;
- (3) Name and address of shipper;
- (4) The words "Virgin Islands Specially Denatured Alcohol" or "Virgin Islands Specially Denatured Rum," as appropriate;
- (5) Formula number prescribed by part 21 of this chapter;
- (6) Proof, if the spirits were denatured at other than 190 proof;
- (7) Denaturants used, if spirits were denatured under an approved formula authorizing a choice of denaturants; and
- (8) Quantity of denaturant used, if the approved formula authorizes a choice of quantities of denaturants.

#### **§250.294 Record of shipment.**

(a) Each shipment of industrial spirits or specially denatured spirits from the Virgin Islands to the United States shall be accompanied by a record of shipment. The record of shipment shall consist of an invoice, bill of lading or similar document which shows the following information:

- (1) Consignor's name and address;
- (2) Consignee's name, address, and permit number;
- (3) For each formula of specially denatured spirits--
  - (i) The formula number prescribed by part 21 of this chapter,
  - (ii) The serial numbers or package identification numbers of containers, and
  - (iii) The total quantity in wine gallons;
- (4) For industrial spirits--
  - (i) The package identification numbers of containers, and
  - (ii) The total quantity in proof gallons.

(b) The record of shipment shall be made available to custom officers inspecting the shipment.

(Records relating to industrial spirits approved by the Office of Management and Budget under control number 1512-0334; records relating to specially denatured spirits approved by the Office of Management and Budget under control number 1512-0337)

#### **Shipment of Completely Denatured Alcohol and Products Made With Denatured Spirits**

#### **§250.295 Marks on containers.**



(a) *Completely denatured alcohol.*

(1) For each immediate container of completely denatured alcohol with a capacity exceeding 1 gallon, the shipper shall mark or label on the head or side of the package or on the side of the casing, the following:

- (i) The name and address of the person filling the container;
- (ii) The contents in gallons;
- (iii) The words "Virgin Islands Completely Denatured Alcohol"; and
- (iv) The formula number prescribed by part 21 of this chapter.

(2) In addition, if the container has a capacity of 5 gallons or less, the words "Completely Denatured Alcohol" shall be in red letters on white background, and the label shall also have the words "Caution--contains poisonous ingredients" in red letters on white background.

(b) *Products made with denatured spirits.*

The shipper shall mark or label each immediate container of a product made with denatured spirits with the name, trade name or brand name of the product and the name and address of the shipper.

**§250.296 Record of shipment.**

(a) Each shipment of completely denatured alcohol or products made with denatured spirits shall be accompanied by a record of shipment. The record of shipment shall consist of an invoice, bill of lading or similar document which shows the following information:

- (1) Consignor's name and address;
- (2) Consignee's name and address;
- (3) Capacity and number of containers;
- (4) Total quantity shipped; and
- (5)(i) For completely denatured alcohol, the words "Virgin Islands Completely Denatured Alcohol" and the formula number prescribed by part 21 of this chapter, or
- (ii) For products made with denatured spirits, the name, trade name or brand name of the product.

(b) The record of shipment shall be made available to customs officers inspecting the shipment.

(Approved by the Office of Management and Budget under control number 1512-0337)

**Arrival in the United States**

**§250.297 General.**

The district director of customs shall inspect each shipment of industrial spirits, specially

denatured spirits, completely denatured alcohol, and products made with denatured spirits coming into the United States from the Virgin Islands. If the shipment complies with the requirements of this part, the products may be released free of tax.

## **Subpart Oa--Shipment of Bulk Distilled Spirits From the Virgin Islands, Without Payment of Tax, for Transfer From Customs Custody to Internal Revenue Bond**

AUTHORITY: Sec. 3, Pub. L. 90-630, 82 Stat. 1328, as amended (26 U.S.C. 5232).

SOURCE: T.D. ATF-62, 44 FR 71717, Dec. 11, 1979, unless otherwise noted.

### **§250.300 General.**

Distilled spirits brought into the United States from the Virgin Islands in bulk containers may, under the provisions of this subpart, be withdrawn by the proprietor of a distilled spirits plant from customs custody and transferred in such bulk containers or by pipeline to the bonded premises of his plant, without payment of the internal revenue tax imposed on such spirits by 26 U.S.C. 7652. Such spirits so withdrawn and transferred to a distilled spirits plant (a) may be redistilled or denatured only if 185 degrees or more of proof, and (b) may be withdrawn from internal revenue bond for any purpose authorized by 26 U.S.C. chapter 51, in the same manner as domestic distilled spirits. Spirits transferred from customs custody to the bonded premises of a distilled spirits plant under the provisions of this subpart shall be received and stored thereat, and withdrawn or transferred therefrom, subject to the provisions of part 19 of this chapter. The person operating the bonded premises of the distilled spirits plant to which spirits are transferred under the provisions of this subpart shall become liable for the tax on distilled spirits withdrawn from customs custody under 26 U.S.C. 5232, upon release of the spirits from customs custody, and the person bringing the spirits into the United States shall thereupon be relieved of his liability for such tax.

### **§250.301 Preparation of transfer record.**

The person bringing spirits into the United States from the Virgin Islands under this subpart shall prepare a transfer record, in triplicate, according to §250.273a, and present the record to the customs officer responsible for inspection and release of the spirits. A separate transfer record shall be prepared for each conveyance.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8555, Mar. 1, 1985]

### **§250.302 Gauge and certification.**

#### **(a) *Gauge.***

If Virgin Islands spirits to be transferred from customs custody to internal revenue bond as provided in this subpart are not gauged by an insular gauger at the time of their withdrawal from an insular bonded warehouse, as provided in §250.204 of this chapter, the insular consignor shall effect a gauge of each bulk container and shall prepare a record of such gauge, in duplicate, and attach both copies to the certificate required by §250.205 of this chapter. If the gauge is made by the insular gauger his record of gauge shall be prepared in duplicate and both copies shall be attached to

the certificate.

(b) *Certification.*

The certification prescribed by §250.205 of this chapter shall be prepared in duplicate if the Virgin Islands spirits are to be transferred from customs custody to internal revenue bond. Both copies of the certificate, with the applicable record of gauge attached, shall be filed with the district director of customs at the port of entry. The original of the certificate and related record of gauge shall be attached by the customs officer to the original of the transfer record received as provided in §250.301 from the importer.

(Approved by the Office of Management and Budget under control number 1512-0250)

[T.D. ATF-198, 50 FR 8555, Mar. 1, 1985]

**§250.303 Customs inspection and release.**

The customs officer shall not release distilled spirits under this subpart until he inspects the spirits, and, if it appears that losses in transit were sustained from any container, he shall gauge the spirits in such container. If the spirits are in a bulk conveyance, the customs officer shall record the elements of his gauge on the transfer record, or, if the spirits are in packages, on the gauge record required by §250.302, and attach it to the transfer record. The customs officer shall also record on the transfer record the port of entry, carrier identification, and warehouse entry number. When the consignee has complied with all customs requirements, the customs officer shall release the spirits for transfer to the distilled spirits plant, by dating and signing the transfer record with his title the statement: "To the best of my knowledge the information hereon is accurate and the spirits are released". The customs officer shall retain a copy of the transfer record and any attachment, forward a copy of the transfer record and any attachments to the regional director (compliance), and give the original of the transfer record with any attachments to the consignee.

[T.D. ATF-198, 50 FR 8555, Mar. 1, 1985]

**§250.304 Bulk conveyances to be sealed.**

When a shipment of distilled spirits from customs custody to the distilled spirits plant is made in a tank, tank barge, cargo container, tank car, tank truck, or similar bulk conveyance, all openings affording access to the spirits shall be sealed by the customs officer with customs seals in such manner as will prevent unauthorized removal of spirits through such openings without detection.

**§250.305 Receipt by consignee.**

Proprietors of distilled spirits plants who receive Virgin Islands spirits under this subpart shall follow the requirements in 27 CFR part 19 for spirits received by transfer in bond. However, proprietors are not required to file application on ATF Form 5100.16 to receive Virgin Islands spirits from customs custody.

[T.D. ATF-198, 50 FR 8555, Mar. 1, 1985]

**Subpart Ob--Claims for Drawback on Eligible Articles  
From the Virgin Islands**

SOURCE: T.D. ATF-263, 52 FR 46595, Dec. 9, 1987, unless otherwise noted.

### **§250.306 Drawback of tax.**

Any person who brings eligible articles into the United States from the Virgin Islands may claim drawback of the distilled spirits excise taxes paid on such articles as provided in this subpart.

### **§250.307 Special tax.**

Any person filing claim for drawback of tax on eligible articles brought into the United States from the Virgin Islands shall pay special tax as required by 26 U.S.C. 5131. For purposes of special tax, subparts C and D of part 17 of this chapter shall apply as if the use and tax determination occurred in the United States at the time the article was brought into the United States, and each business location from which entry of eligible articles is caused or effected shall be treated as a place of manufacture. If special tax is paid for any such business location under part 17 of this chapter, as a place where nonbeverage products are manufactured for purposes of drawback, then no additional special tax need be paid for that location under this section.

[T.D. ATF-263, 52 FR 46595, Dec. 9, 1987, as amended by T.D. ATF-271, 53 FR 17559, May 17, 1988; T.D. ATF-379, 61 FR 31427, June 20, 1996]

### **§250.308 Bonds.**

#### **(a) *General.***

Persons bringing eligible articles into the United States from the Virgin Islands and intending to file monthly claims for drawback under the provisions of this subpart shall obtain a bond on Form 5154.3. When the limit of liability under a bond given in less than the maximum amount has been reached, further drawback on monthly claims may be suspended until a strengthening or superseding bond in a sufficient amount has been furnished. For provisions relating to bonding requirements, subpart E of part 17 of this chapter is incorporated in this part, but references therein to a regional director (compliance) shall apply, for purposes of this part, to the Chief, Puerto Rico Operations.

#### **(b) *Approval required.***

No person bringing eligible articles into the United States from the Virgin Islands may file monthly claims for drawback under the provisions of this subpart until bond on Form 5154.3 has been approved by the Chief, Puerto Rico Operations. Bonds approved by a regional director (compliance) prior to the effective date of this provision shall remain in effect.

[T.D. ATF-379, 61 FR 31427, June 20, 1996]

### **§250.309 Claims for drawback.**

#### **(a) *General.***

Persons bringing eligible articles into the United States from the Virgin Islands shall file claim for drawback on Form 2635 (5620.8) with the Chief, Puerto Rico Operations. Upon finding that the claimant has satisfied the requirements of this subpart, the regional director (compliance) shall allow the drawback of taxes at a rate

of \$1 less than the lesser of \$10.50 a proof gallon or the rate specified in 26 U.S.C. 5001(a).

*(b) Information on claims.*

The claim must set forth the following:

- (1) That the special tax has been paid;
- (2) That the eligible articles brought into the United States on which drawback is claimed are fully taxpaid or tax-determined;
- (3) That the eligible articles on which drawback is claimed are nonbeverage products; and
- (4) That the eligible articles were manufactured in the Virgin Islands in compliance with approved formulas in accordance with §250.221.

*(c) Supporting data.*

Each claim shall be accompanied by supporting data as specified in this paragraph. ATF Form 5154.2, Supporting Data for Nonbeverage Drawback Claims, may be used, or the claimant may use any suitable format that provides the following information:

- (1) The control number of the Special Tax Stamp and the tax year for which issued;
- (2) A description of each eligible article as follows:
  - (i) Name and type of each product;
  - (ii) Name and address of the manufacturer of each product;
  - (iii) Formula number under which each product was manufactured;
  - (iv) Alcohol content of each product;
  - (v) Quantity of each product;
  - (vi) Proof gallons of distilled spirits contained in each product;
  - (vii) Date of entry of the eligible product into the United States; and
  - (viii) Evidence of taxpayment of distilled spirits in accordance with §250.266.

*(d) Date of filing claim.*

Quarterly claims for drawback shall be filed with the Chief, Puerto Rico Operations, within the 6 months next succeeding the quarter in which the eligible products covered by the claim were brought into the United States. Monthly claims for drawback may be filed at any time after the end of the month in which the eligible products covered by the claim were brought into the United States, but must be filed not later than the close of the sixth month succeeding the quarter in which the eligible products were brought into the United States.

[T.D. ATF-263, 52 FR 46595, Dec. 9, 1987, as amended by T.D. ATF-271, 53 FR 17559, May 17, 1988; T.D. ATF-379, 61 FR 31427, June 20F, 1996]

## **§250.310 Records.**

### *(a) General.*

Every person intending to file claim for drawback on eligible articles brought into the United States from the Virgin Islands shall keep permanent records of the data elements required by this section. Such records shall be maintained at the business premises for which the claim is filed and shall be available for inspection by any ATF officer during business hours.

### *(b) Details of records.*

Each person intending to claim drawback on eligible articles brought into the United States shall maintain permanent records showing the following data:

- (1) The name, description, quantity, and formula number of each such article.
- (2) The alcohol content of each such article.
- (3) Name and address of the manufacturer and shipper, and date of entry into the United States.
- (4) Evidence of taxpayment of distilled spirits in accordance with paragraph (e) of this section.

### *(c) Form of record.*

No particular form of record is prescribed, but the data required to be shown shall be readily ascertainable from the records kept by the drawback claimant.

### *(d) Evidence of taxpayment of distilled spirits.*

Evidence of taxpayment of eligible articles (such as Customs Forms 7501 and 7505 receipted to indicate payment of tax) shall be maintained as evidence of taxpayment to support information required to be furnished in the supporting data filed with a claim.

### *(e) Retention of records.*

Each drawback claimant shall retain for a period of not less than three years all records required by this subpart, all commercial invoices or shipping documents, and all bills of lading received evidencing receipt and tax determination of the spirits. In addition, a copy of each approved formula returned to the manufacturer of eligible articles shall be retained for not less than three years from the date he files his last claim for drawback under the formula. The records, forms, and formulas shall be readily available during regular business hours for examination by ATF officers.

(Approved by the Office of Management and Budget under control number 1512-0494)

## **Subpart P--Requirements for Liquor Bottles**

AUTHORITY: Sec. 5301, 72 Stat. 1374; 26 U.S.C. 5301.

SOURCE: T.D. 6954, 33 FR 6818, May 4, 1968, unless otherwise noted. Redesignated at 40 FR 16835, Apr. 15, 1975.

### **§250.311 Scope of subpart.**

The provisions of this subpart shall apply only to liquor bottles having a capacity of 200 ml. or more except where expressly applied to liquor bottles of less than 200 ml. capacity.

[T.D. 6954, 33 FR 6818, May 4, 1968. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-34, 41 FR 46864, Oct. 26, 1976]

### **§250.312 Standards of fill.**

Distilled spirits brought into the United States from Puerto Rico or the Virgin Islands in containers of 1 gallon (3.785 liters) or less for sale shall be in liquor bottles, including liquor bottles of less than 200 ml capacity, which conform to the applicable standards of fill provided in §5.47 or §5.47a of this chapter. Empty liquor bottles, including liquor bottles of less than 200 ml capacity, which conform to the provisions of subpart E of part 5 or part 19 of this chapter, may be brought into the United States for packaging distilled spirits as provided in part 19 of this chapter.

[T.D. ATF-34, 41 FR 46864, Oct. 26, 1976, as amended by T.D. ATF-62, 44 FR 71718, Dec. 11, 1979]

### **§250.314 Distinctive liquor bottles.**

#### **(a) *Application.***

Liquor bottles of distinctive shape or design, including bottles of less than 200 ml. capacity, may be brought into the United States from Puerto Rico or the Virgin Islands by an importer (filled bottles) or a bottler (empty bottles). For filled bottles, the importer shall submit ATF Form 5100.31 to the Director for approval prior to bringing such bottles into the United States. For empty bottles, the bottler shall obtain approval from the Director on ATF Form 5100.31 prior to using the bottles. The importer or bottler, as applicable, shall certify as to the total capacity of a representative sample bottle before closure (expressed in milliliters) on each copy of the form. In addition, the applicant shall affix a readily legible photograph (both front and back of the bottle) to the front of each copy of ATF Form 5100.31, along with the label(s) to be used on the bottle. The applicant shall not submit an actual bottle or an authentic model unless specifically requested to do so.

#### **(b) *Approval.***

Properly submitted ATF Forms 5100.31 to bring distinctive liquor bottles (filled) into the United States from Puerto Rico or the Virgin Islands, or, properly submitted ATF Forms 5100.31 to use distinctive liquor bottles (empty) which have been brought into the United States from Puerto Rico or the Virgin Islands, shall be approved provided such bottles are found by the Director to--

- (1) Meet the requirements of 27 CFR Part 5;
- (2) Be distinctive;
- (3) Be suitable for their intended purpose;



- (4) Not jeopardize the revenue; and
- (5) Not be deceptive to the consumer.

The applicant shall keep a copy of the approved ATF Form 5100.31, including an approved photograph (both front and back) of the distinctive liquor bottle, on file at his premises. If ATF Form 5100.31 is disapproved, the applicant shall be notified of the Director's decision and the reasons therefor. The applicant importer is responsible for furnishing a copy of the approved ATF Form 5100.31, including a photograph of the distinctive liquor bottle, to Customs officials at each affected port of entry where the merchandise is examined.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1374, as amended (26 U.S.C. 5301))

[T.D. ATF-114, 47 FR 43950, Oct. 5, 1982, as amended by T.D. ATF-242, 51 FR 39526, Oct. 29, 1986]

### **§250.315 [Reserved]**

### **§250.316 Bottles not constituting approved containers.**

The Director is authorized to disapprove any bottle, including a bottle of less than 200 ml. capacity, for use as a liquor bottle which he determines to be deceptive. The Customs officer at the port of entry shall deny entry of any such bottle containing distilled spirits upon advice from the Director that such bottle is not an approved container for distilled spirits for consumption in the United States.

(Sec. 201, Pub. L. 85-859, 72 Stat. 1374, as amended (26 U.S.C. 5301))

[T.D. ATF-114, 47 FR 43950, Oct. 5, 1982]

### **§250.317 Bottles to be used for display purposes.**

Empty liquor bottles may be brought into the United States and may be furnished to liquor dealers for display purposes, provided each bottle is marked to show that it is to be used for such purpose. Any paper strip used to seal the bottle shall be of solid color and without design or printing, except that a border or a design, formed entirely of the legend "not genuine--for display purposes only" is permissible. Records shall be kept of the receipt and disposition of such bottles, showing the names and addresses of consignees, dates of shipment, and size, quantity, and description of bottles.

### **§250.318 Liquor bottles denied entry.**

Filled liquor bottles not conforming to the provisions of this subpart shall be denied entry into the United States: *Provided*, That, upon letterhead application, in triplicate, the regional director (compliance) of the region in which the port of entry is situated may, in nonrecurring cases, authorize the release from customs custody of distilled spirits in bottles, except those coming under the provisions of §250.316, which, through unintentional error, do not conform to the provisions of this subpart, if he finds that such release will not afford jeopardy to the revenue.

### **§250.319 Used liquor bottles.**

The Director may pursuant to letterhead application filed in triplicate, authorize an importer to receive liquor bottles assembled for him as provided in §194.263 of this chapter. Used liquor bottles so received may be stored at any suitable location pending

return to Puerto Rico or the Virgin Islands. Records shall be kept of the receipt and disposition of such bottles.

[T.D. 6954, 33 FR 6818, May 4, 1968, as amended by T.D. 7006, 34 FR 2250, Feb, 15, 1969. Redesignated at 40 FR 16835, Apr. 15, 1975]

## Subpart Q--Miscellaneous Provisions

### **§250.331 Alternate methods or procedures.**

#### *(a) Application.*

A person bringing liquors into the United States from Puerto Rico or the Virgin Islands who desires to use an alternate method or procedure in lieu of a method or procedure prescribed by this part shall file application, in triplicate, with the regional director (compliance) of the region in which his place of business is located. If such person has several places of business at which he desires to use such alternate method or procedure, a separate application shall be submitted for each. Each application shall:

- (1) Specify the name, address, and permit number of the person to which it relates;
- (2) State the purpose for which filed; and
- (3) Specifically describe the alternate method or procedure and set forth the reasons therefor.

No alternate method or procedure relating to the assessment, payment, or collection of tax shall be authorized under this paragraph.

#### *(b) Approval.*

When an application for use of an alternate method or procedure is received, the regional director (compliance) shall determine whether the approval thereof would unduly hinder the effective administration of this part or would result in jeopardy to the revenue. The regional director (compliance) shall forward two copies of the application to the Director, together with a report of his findings and his recommendation. The Director, may approve the alternate method or procedure if he finds that:

- (1) Good cause has been shown for the use of the alternate method or procedure;
- (2) The alternate method or procedure is within the purpose of, and consistent with the effect intended by, the specifically prescribed method or procedure, and affords equivalent security to the revenue; and
- (3) The alternate method or procedure will not be contrary to any provision of law, and will not result in any increase in cost to the Government or hinder the effective administration of this part.

No alternate method or procedure shall be used until approval has been received from the Director. Authorization for the alternate method or procedure may be withdrawn whenever in the judgment of the Director, the revenue is jeopardized or the effective

administration of this part is hindered by the continuation of such authorization.

(Approved by the Office of Management and Budget under control number 1512-0352)

[T.D. ATF-2, 37 FR 22739, Oct. 21, 1972. Redesignated at 40 FR 16835, Apr. 15, 1975, and amended by T.D. ATF-172, 49 FR 14943, Apr. 16, 1984]